



APPLN. FILING DATE: August 16, 2001
TITLE: SYSTEM AND METHOD FOR LUBRICANTS SUPPLY
CHAIN MANAGEMENT
INVENTOR(S): Tim Daniels et al.
APPLICATION SERIAL NO: 09/932,571

SHEET 1 OF 7

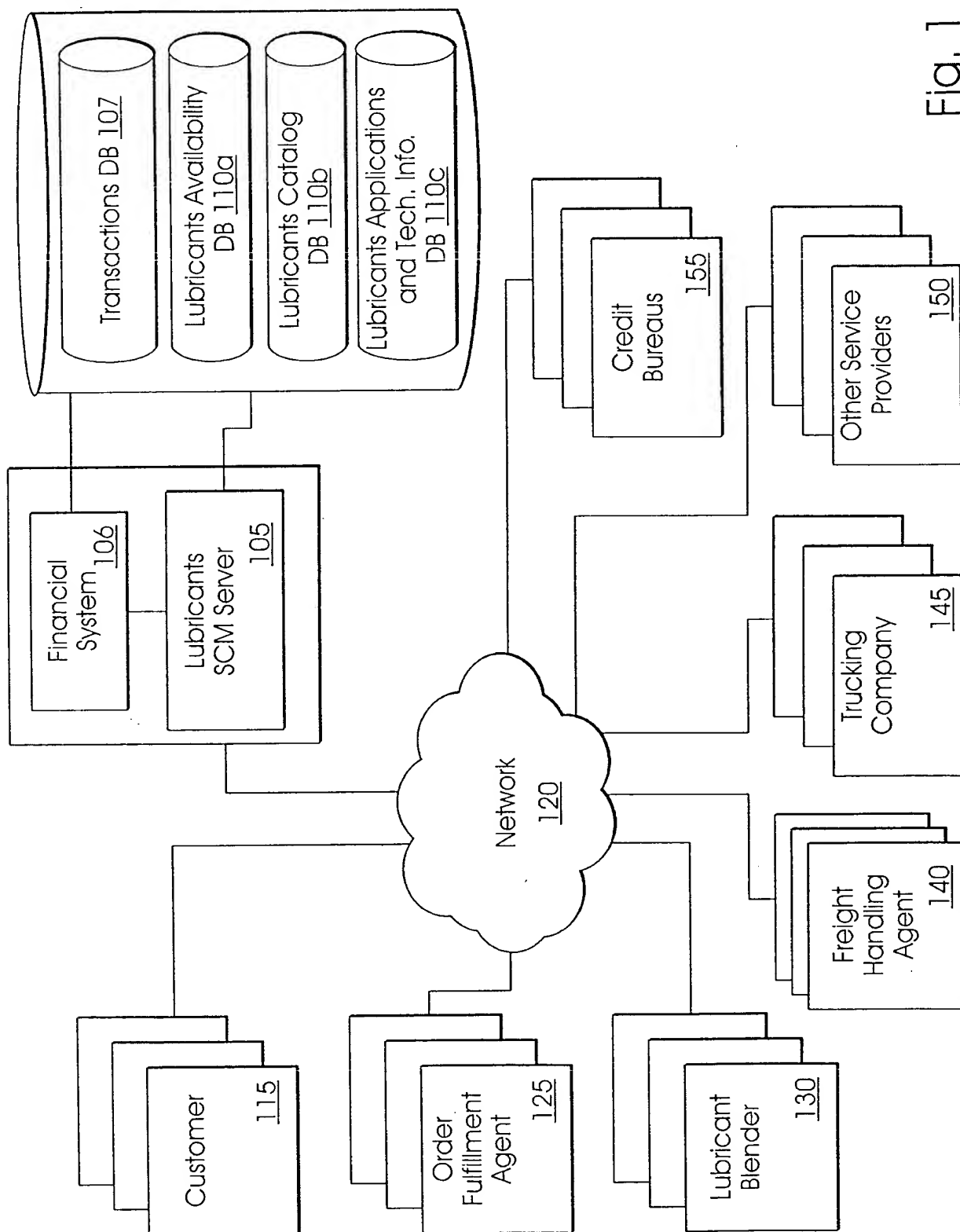


Fig. 1



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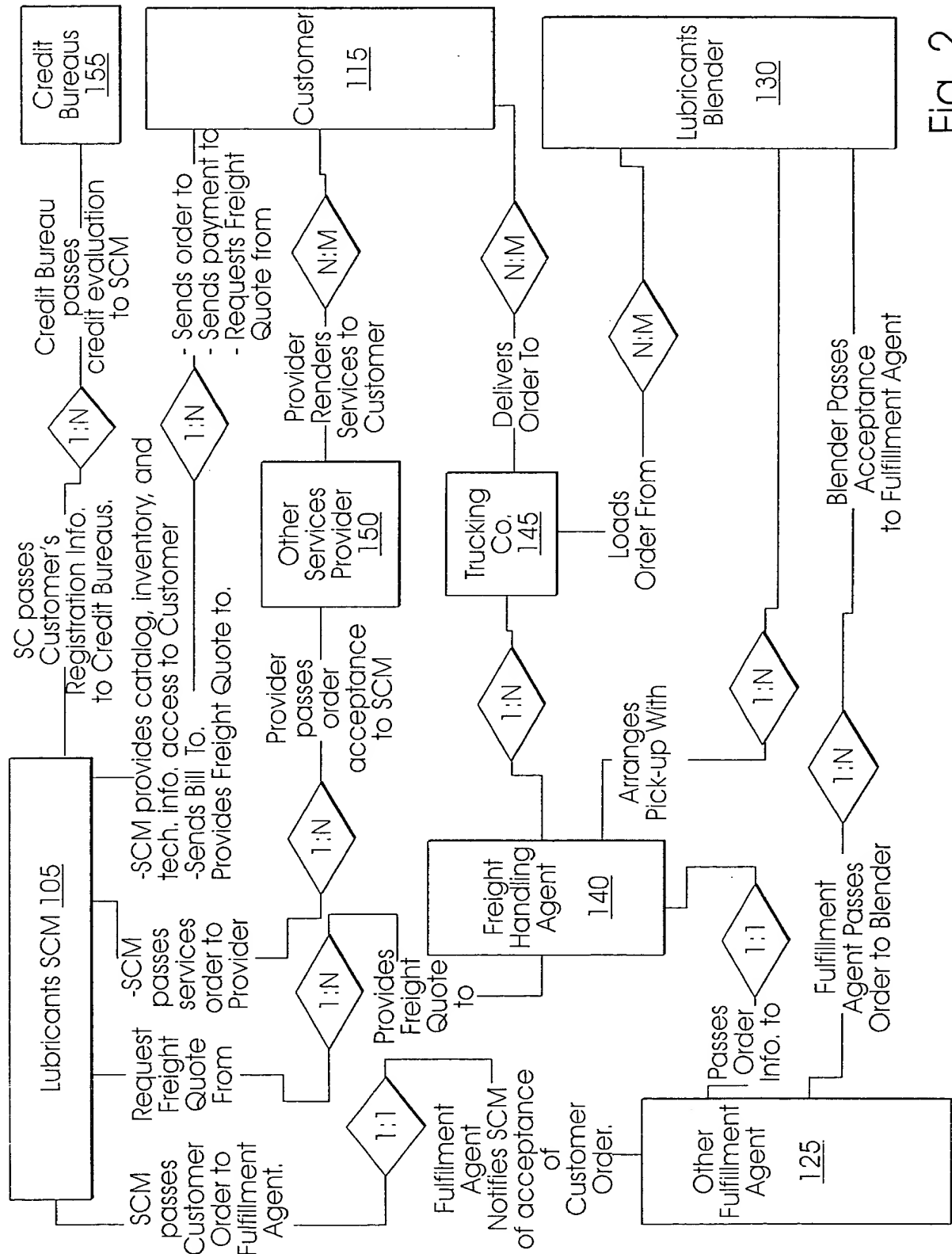


Fig. 2



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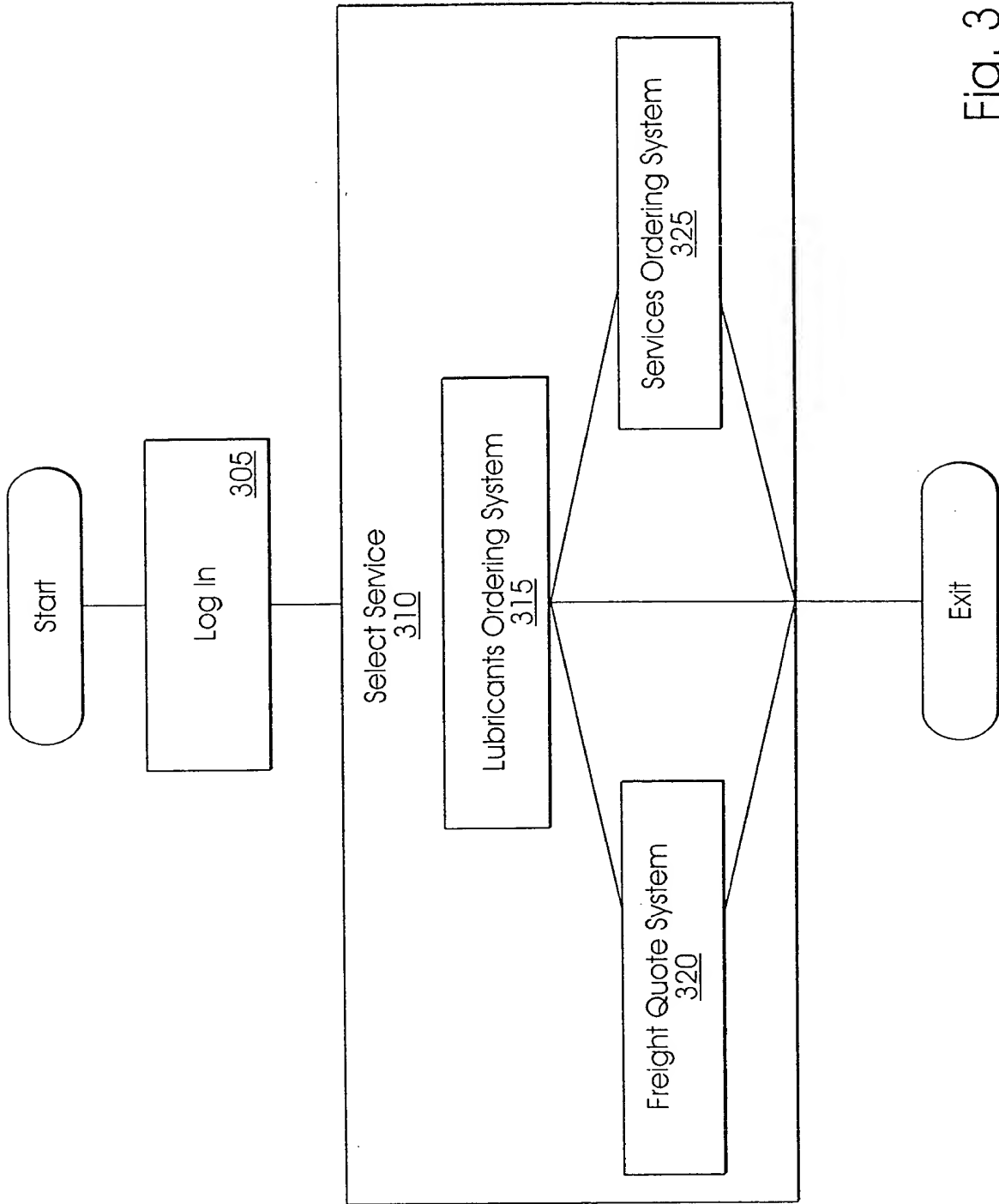


Fig. 3

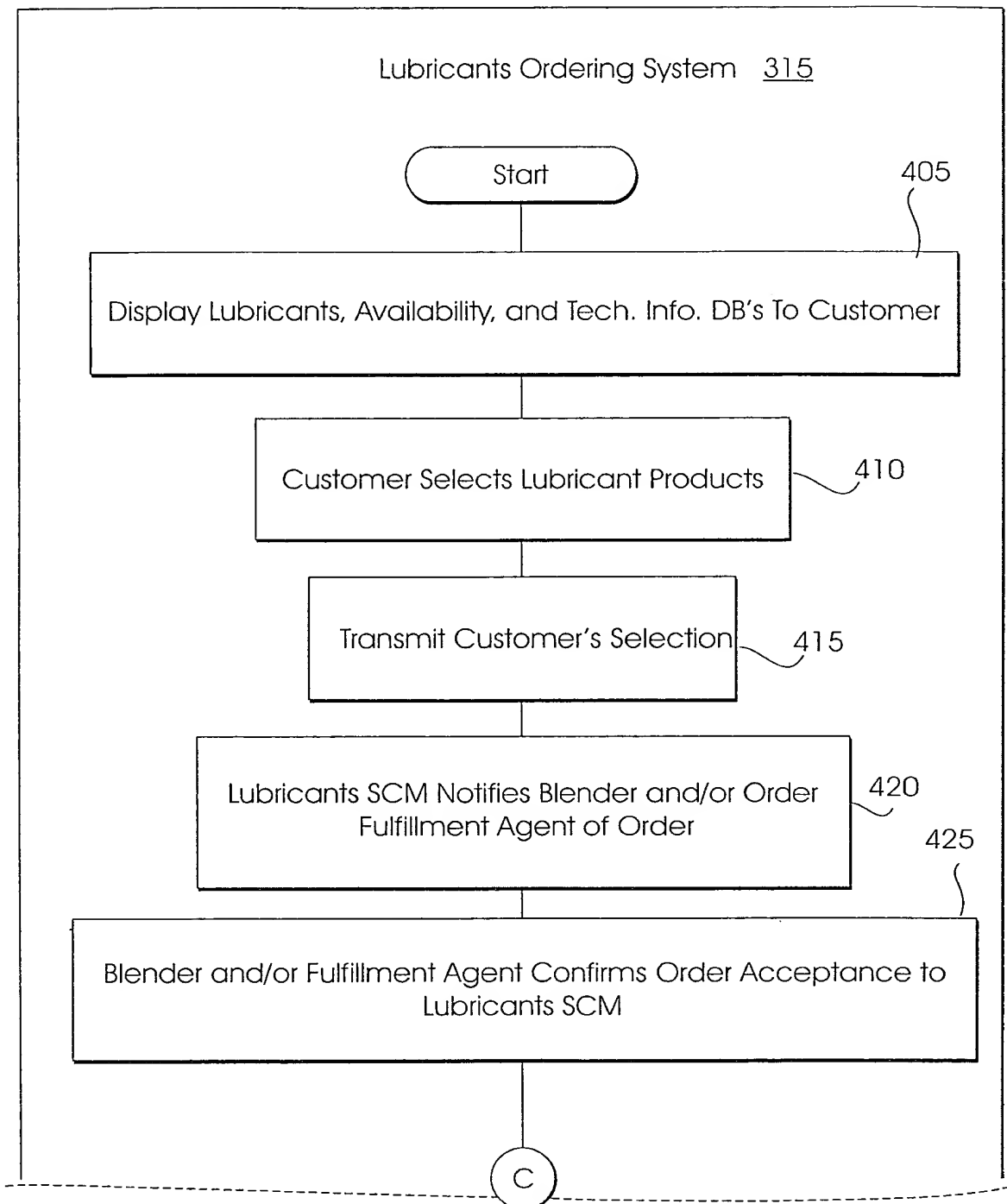


Fig. 4A

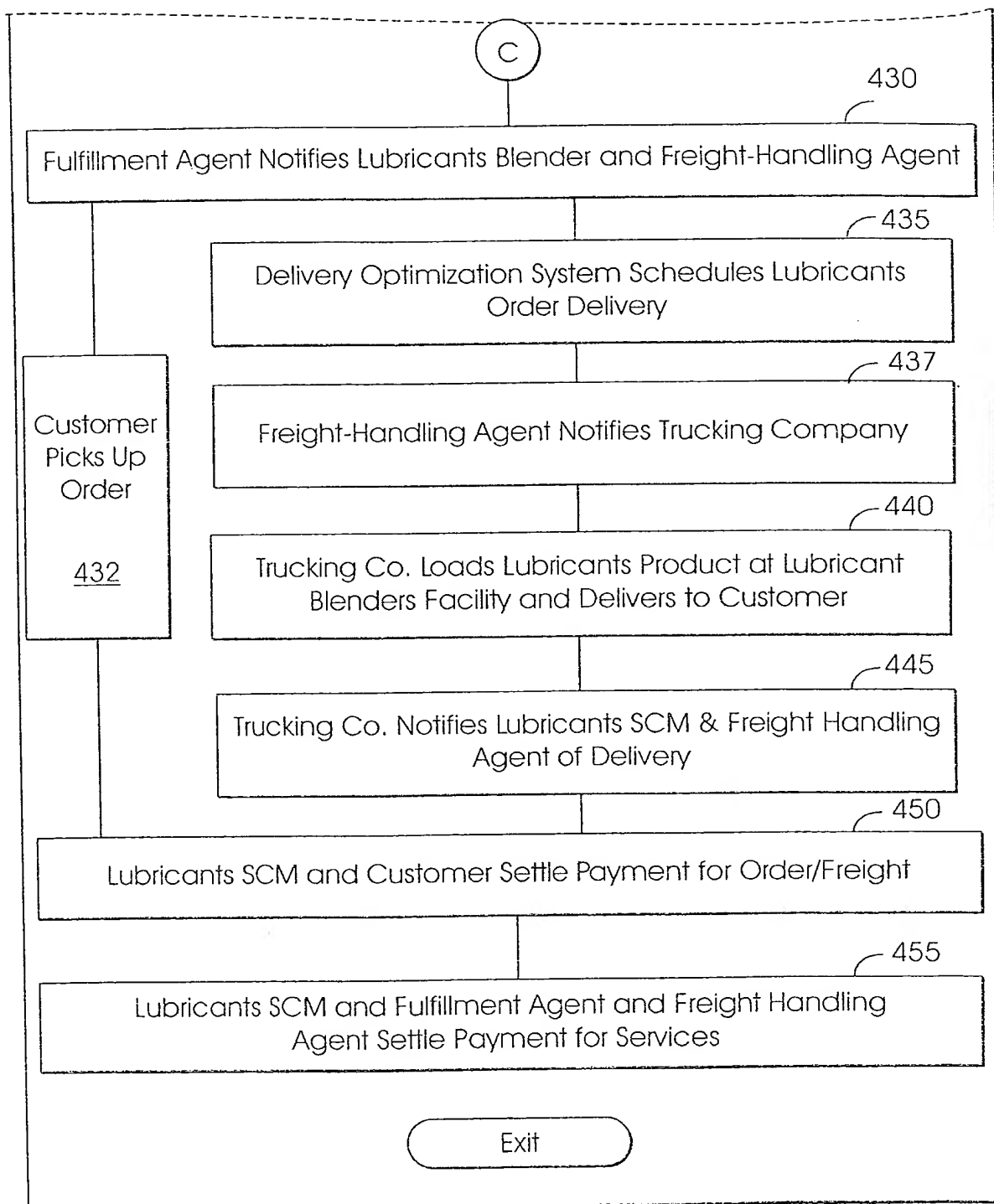


Fig. 4B

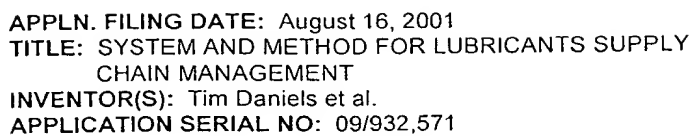
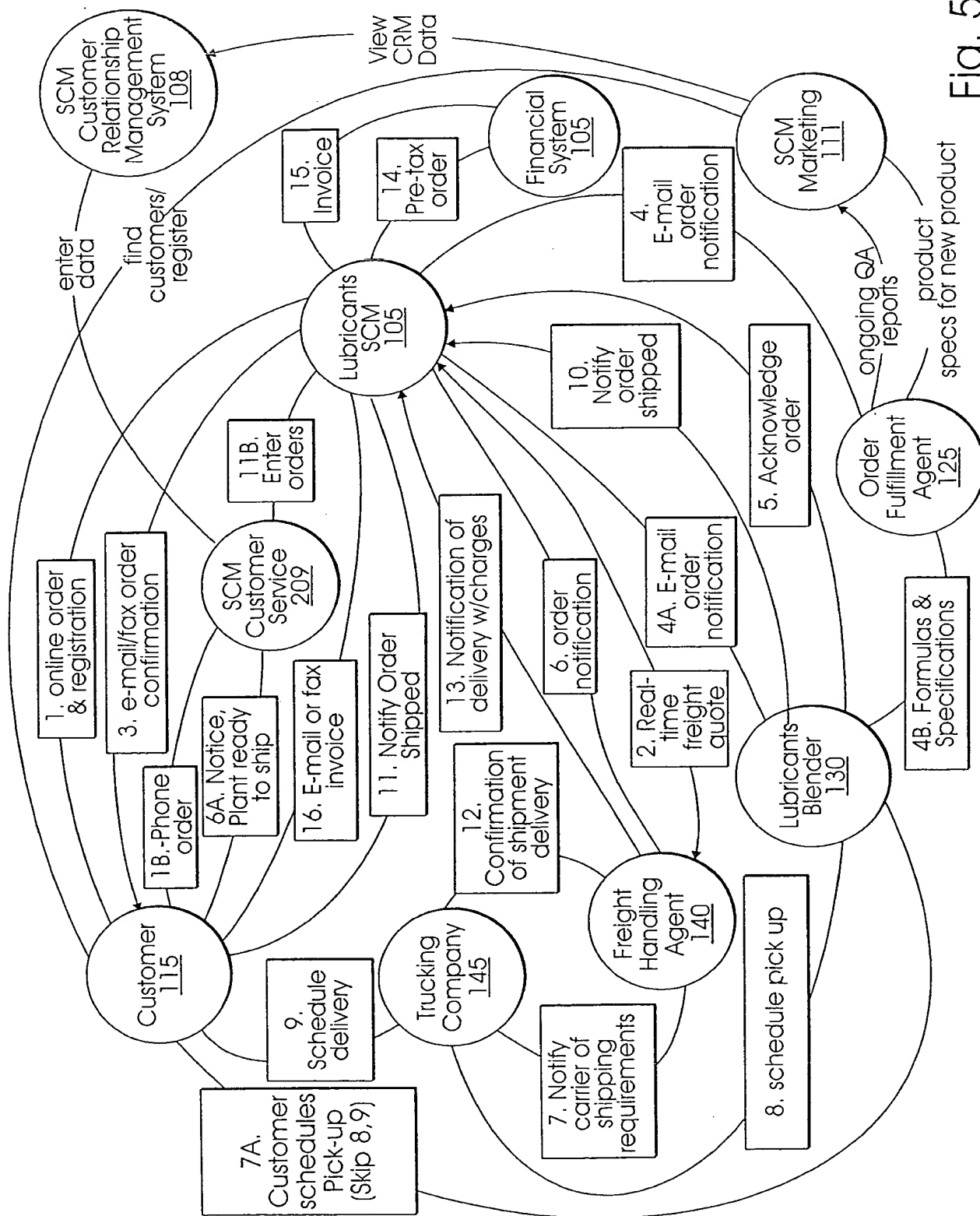


Fig. 5





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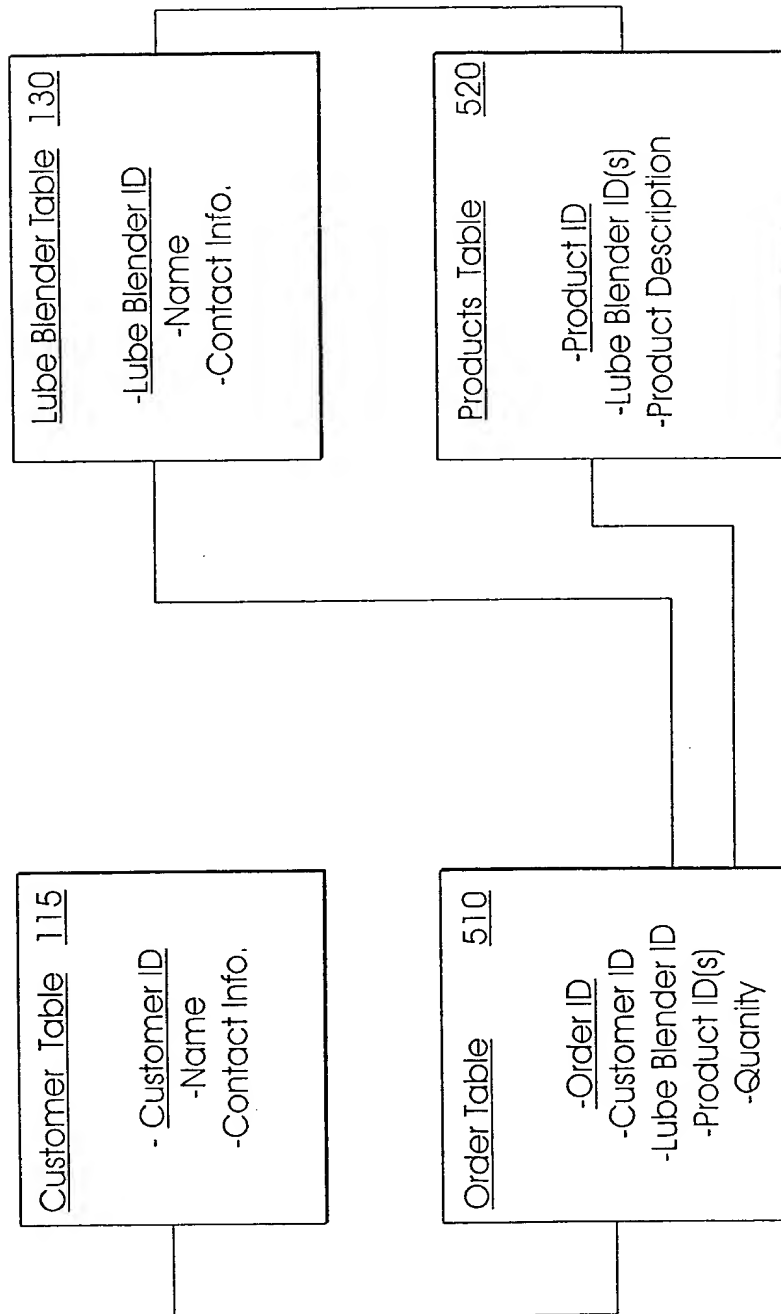


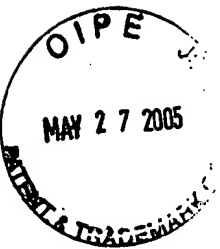
Fig. 6



e-lubes.com

Business Plan Presentation to

David Spatz





Mission

We provide “no frills” lubrication solutions to selected, price conscientious customers. We leverage innovative technology and the internet economy to achieve customer convenience and low-cost operations.

Vision

We are a profitable internet business that dominates the low-price lubricant segment by providing convenient, low-cost lubrication solutions

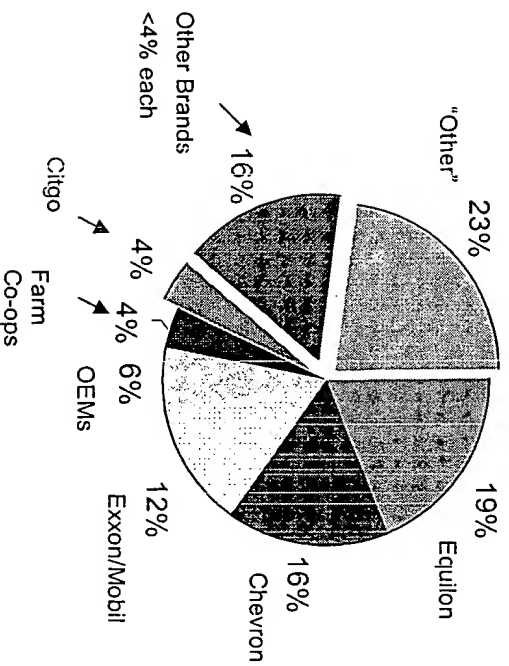
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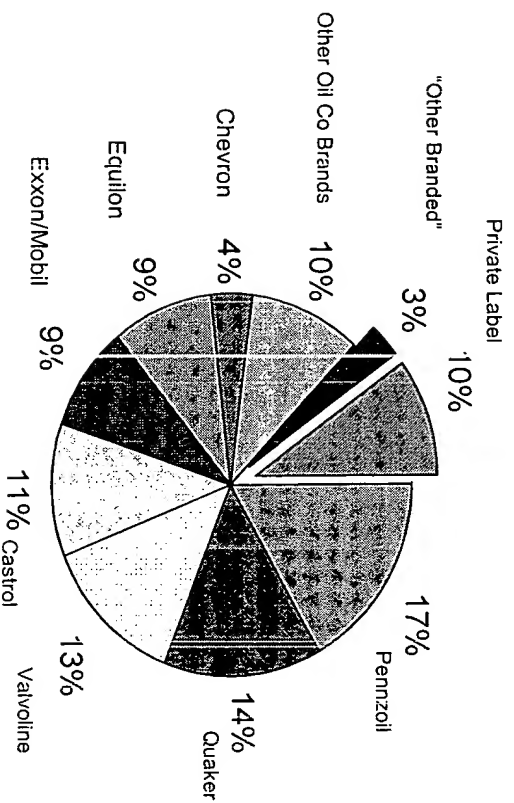
Business Case for Chevron

- Aligned with CPDS strategies and direction
 - C&I Focus
 - Leverages Internet Economy
- Growth Strategy for Chevron Global Lubricants
 - Going after low-end market, not a traditional Chevron target
 - Potential cannibalization mitigated by use of different brand other than “Chevron”
- Expected profitability and returns are healthy
 - Low-end market held by the “fragmented majority” (large market share)
 - Internet transactions will reduce costs, provide convenience
 - Owning “hard assets” not required -- surplus blend capacity in U.S.

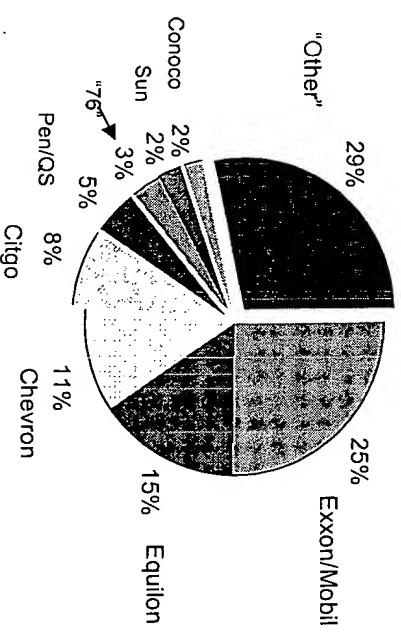
HDMO - U.S. Market Share **565 Million Gallons**



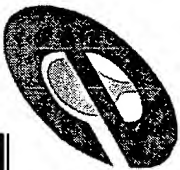
PCMD - U.S. Market Share **817 Million Gallons**



General Industrial - U.S. Market Share **397 Million Gallons**



Note: General Industrial excludes Process Oils, Metalworking, and Industrial engine oils (railroad)



The Market Opportunity

- Continued fragmentation of the lower tier lubricants market
 - In HDMO, 43% of the market is served by “other” suppliers with no one supplier having more than 3.7% of the market
 - Within the Industrial segment, 29% of the general industrial market is held by “other.”
 - For PCMO, opportunities lie in “other branded” and the private label business which make up about 13% of the total PCMO market.
- Blend capacity is at a surplus in the U.S.
 - Many plants, including Chevron’s are underutilized. Total U.S. blend plant utilization is estimated at 75%
 - Many small, and not so small (i.e., Sun), players are selling their assets
- Rapid trend towards B2B internet transactions
 - Internet technology is offering what the customer is looking for: ease of doing business through more automated transactions
 - Customers will be able to tap into more supplier options
 - The Internet can be used to “bundle” our offering with other services and products offered over the internet through business web alliances

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The e-lubes.com Solution

Overview of Key Strategies

- Target customers who focus on price and require no or minimal service
- Make basic formulation, on-spec products that don't require special base oils or additives
- Conduct sales over the internet, eliminating the need for major "on the ground" sales force and the traditional Lubrication Marketer (unless they are the low-cost delivery agent)
- Leverage the transaction engine being developed by Silicon Valley Oil Company to achieve both low transaction costs and greater convenience for customers
- Form a nationwide network of blend plants through alliance arrangements
- Form alliances with logistics and delivery providers
- In all operations (manufacturing, logistics, supplies, consultants) we will leverage Chevron alliance relationships

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The e-lubes.com Solution

Why we believe we can do this:

- We understand the Lubricants business -- e-lubes.com employees (10) have 200 years of combined experience in the industry, working in all functional areas, including sales, marketing, operations, logistics, planning.
- We expect to be the first to set up a nationwide manufacturing network of independent blenders, potentially working in alliance with Lubrizol
 - Other suppliers to the “lower tier” market tend to be more local or regional
 - We expect to be the first one to offer lubes in bulk via the internet
- We are working closely with SVOC in their design phase to ensure their backroom infrastructure meets our needs

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The e-lubes.com Solution

Major risks/threats

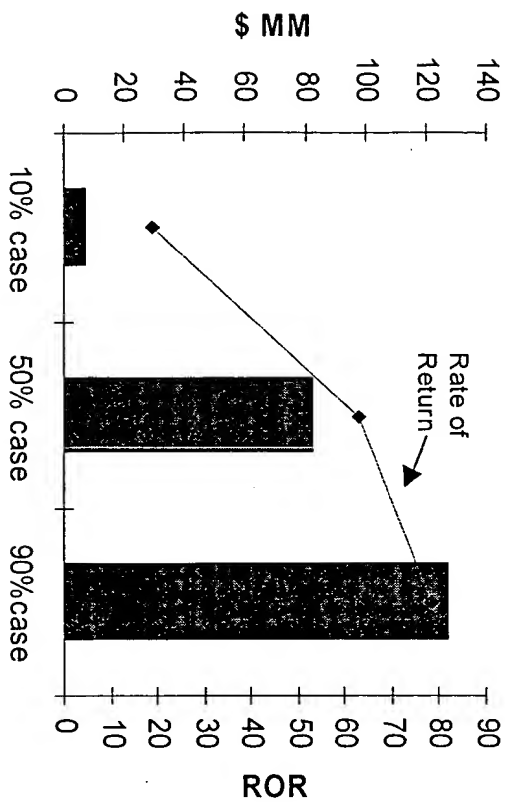
- A major oil company decides to play in the lower-tier with their established brand (Exxon?)
- A traditional lower-tier major such as Sun or Citgo decides to take the same approach
- Managing the network of independent blend plants may be more difficult (but not impossible) if we are not able to work out our alliance with Lubrizol

Our Views on Risks/threats

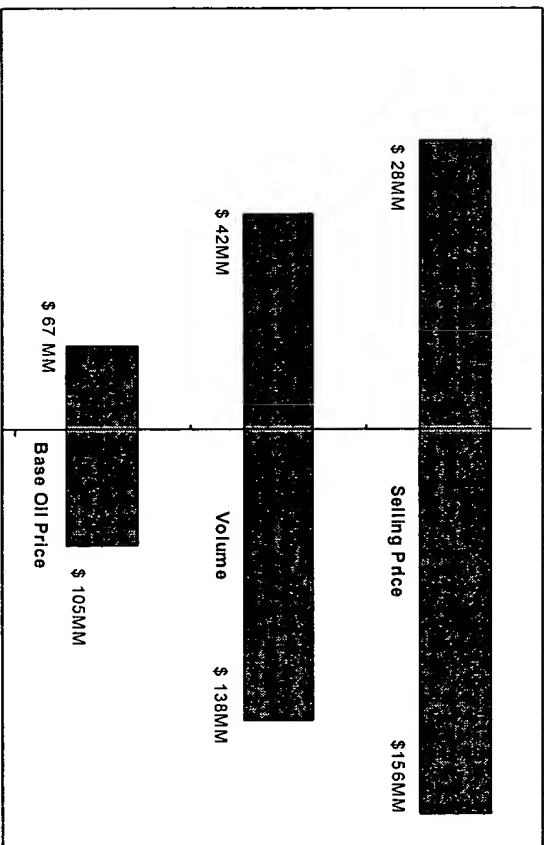
- We believe this is inevitable and may already be happening. Chevron will have to “play” in this market to grow and maintain our market share
- Sun and Citgo are still “regional” players in the lubes business. If they use their own plant system, they will continue to be regional
- Even more important, our ability to link up with Lubrizol exclusively may be a competitive advantage
- The SVOC transaction engine does not give us an advantage since it will be “sold” to our competition. We will have to look at other innovative ways to ensure customer convenience that differentiates us from competition
- We will evaluate the potential use of innovative technology that might change the ways in which customers procure and replenish lubricant inventories. Microchip technology is already being used in inventory management and oil analysis. We will look at doing alliances in these areas

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10-Year NPV

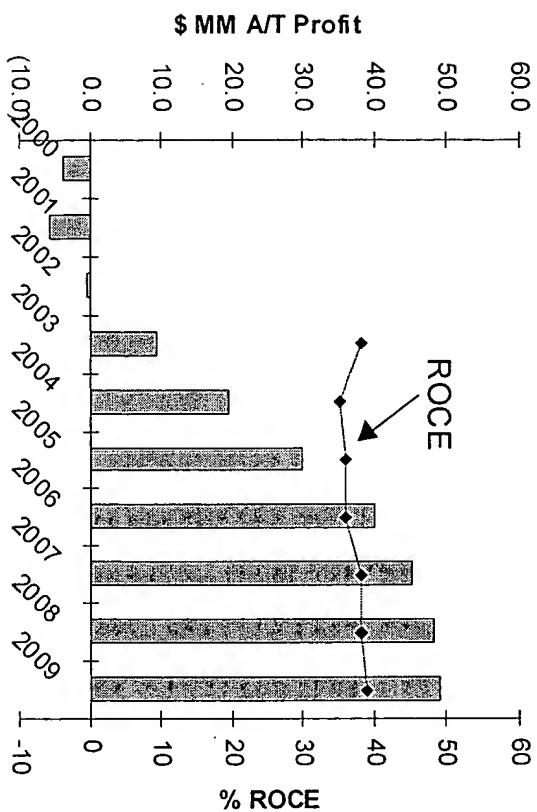


Tornado Diagram -- NPV Sensitivity Analysis



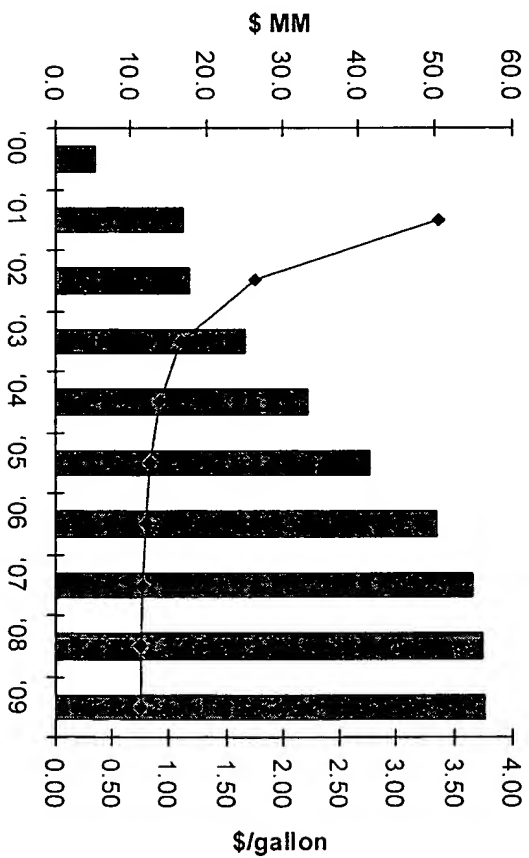
A/T Profit & ROCE

50% case



Operating Expense

\$83 MM
50% case





Financial Forecast

- **10 Year NPV and ROR**

- We expect to grow from 5MM gallons in 2001 to 75MM gallons in 2009. (75MM gallons is about 14% of the lower-tier market)
- The 10 year NPV for the 50% case is \$83MM. The 90% NPV is \$127MM while the 10% case is \$7MM.
- The ROR is 63%, 78% and 19% respectively.
- Our capital requirements are very modest. We only require \$1.8MM over the 10 year planning period. (no assets and almost all IT investments made by SVOC)

- **NPV Sensitivity Analysis**

- The selling price is the most sensitive variable in our NPV model followed by volume and base oil cost.

- **Profit**

- We will lose money in 2001 & 2002 as we invest opex to build our brand
- Year 2009 A/T profits are projected to be \$49MM
- We are projecting a ROCE of around 40%

- **Operating Expense**

- Per gallon opex will continue to decline over the 10 year period
- We anticipate that our per gallon opex will be almost half of the base business.



Marketing & Sales Plan

Marketing & Sales Plan

			★			★	★	★	★			
Service Offering	Description of Service	Government /Municipalities	Private Label	Utilities	Primarily Hydraulic Users/ Customers	Truckstops	Large fleets	Export Brokers	Jobbers	Quick Lubes	Small Fleets	HDMO/OEM Users
Oil Analysis, Monitoring, Tracking (Enhanced)	contact information	1	N	1	1	1	1	N	N	3	1	1
Equipment	ASP	2	N	2	2	2	2	N	N	3	2	2
Tanks	program	1	N	1	1	1	1	N	N	1	1	1
Pump, reels, hoses	program	1	N	1	1	1	1	N	N	1	1	1
Seal	contact information	3	N	3	3	3	3	N	N	N	3	3
Bearing	contact information	3	N	3	3	3	3	N	N	N	3	3
Hydraulic	contact information	3	N	3	3	3	3	N	N	N	3	3
Gear	contact information	3	N	3	3	3	3	N	N	N	3	3
Compressors	contact information	3	N	3	3	3	3	N	N	N	3	3
Diesel Engine	contact information	3	N	3	3	3	3	N	N	N	3	3
Filtration Carts	contact information	3	N	3	3	3	3	N	N	N	3	3
Filter Patch Test Kits	contact information	3	N	3	3	3	3	N	N	N	3	3
Auto Replenishment	ASP	2	N	2	2	2	2	N	2	2	2	2
Remote Inventory Management	ASP	3	N	3	3	3	3	N	3	3	3	3
Used drum pick-up	contact information	1	N	1	1	1	1	N	1	1	1	1
Used Oil Treatment/ disposal facilities	contact information	1	N	1	1	1	1	N	1	1	1	1
PC / Internet Access	program for major customers	1	N	1	1	1	1	N	1	1	1	1
Engine Coolants	supply / contact information	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Lubrication Survey	contact information	2	N	2	2	2	2	N	N	N	2	2
Lube Scheduling & Routing	contact information	2	N	2	2	2	2	N	2	N	2	2
Industry Specialists ("Dr. Lube")	on-line recommendation guide, e-mail follow-up	1	N	1	1	1	1	N	N	1	1	1
Training - lubrication fundamentals	contact information	3	N	3	3	3	3	N	3	3	3	3
Newsletter	product info / new	3	N	3	3	3	3	N	3	3	3	3
Community (Enhanced)	moderated chat room	N	N	N	N	N	N	N	N	N	N	N
Community	postings / query of the month	2	N	2	2	2	2	N	2	3	2	2
Commissioned Agent	program of referrals in target segments	1	N	2	2	2	2	2	N	2	2	2
Lubricant Cross Reference Guide	on-line recommendation guide	1	N	1	1	1	1	N	1	1	1	1
Key:					Ready 10/1/00							
1 = needed for segment rollout					Ready 2010/01							
2 = needed within 90 days of rollout					Ready 12/31/01							
3 = need by end 2001												
N = not offered					★ Target Segments for roll-out							



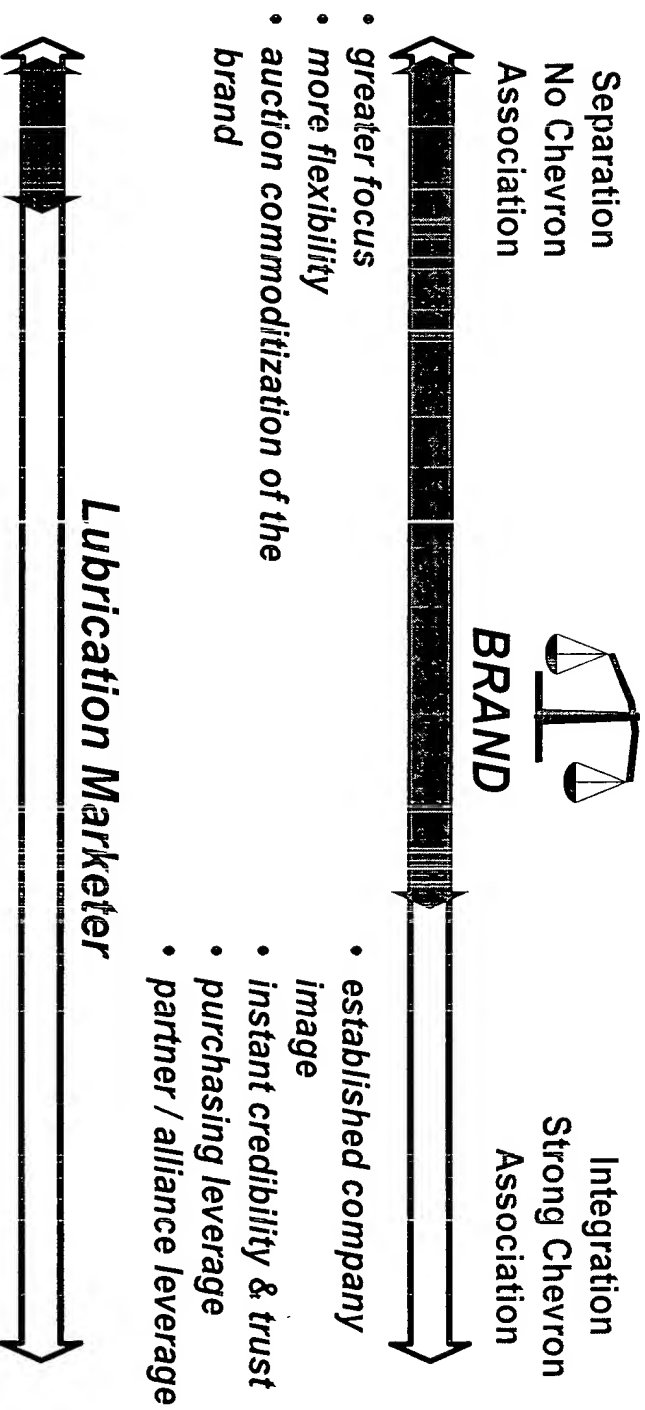
Marketing & Sales Plan

- **Determined initial target segments**
 - utilizing data from multiple sources such as Kline, customer interviews, NAFL customer satisfaction survey, pricing survey, etc.
 - segments prioritized to those offering best source of price conscious customers
 - low service-needs segments that can be addressed by internet technology with few face to face demands
- **Developing Marketing & Sales strategies for each targeted segment**
 - basic product offering drafted
 - baseline services identified that leverage alliances & technology partners
- **Addwater engaged to help define Branding strategy, Naming convention and Identity development.**
 - Aggressive timetable to complete
 - Must be near completion prior to web design

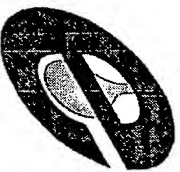


Leveraging the Chevron Brand

We want to leverage the Chevron brand name in the e-lubes.com business.
What degree of integration makes sense?



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Leveraging the Chevron Brand

- The benefits of “brand integration” are almost always too great to abandon entirely. Instead of focusing on an either/or choice, the key to success lies in how we carry out this integration.
- The strategic advantages that come from brand integration (e.g., established company image, instant credibility and trust) gives e-lubes.com the edge that “pure-play” dot-coms simply can’t match -- no matter how much they spend on Super Bowl ads.
- **Recommendation**
 - Allow us to use “wholly-owned subsidiary of Chevron USA” in marketing and sales efforts
 - We won’t use the Chevron Hallmark
 - We won’t co-brand
 - We won’t use links to Chevron websites
 - We will have no or limited association with NAFL Lubrication Marketers (might use some as delivery agents)
- **We believe this approach will give us important leverage with our target customers while addressing the potential cannibalization or commoditization of our premium Chevron Brand**

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Branding & Identity Timeline

ID	Task Name	Start Date	End Date	Duration	2000						
1	Branding Strategy	4/15/2000	6/15/2000	44d	Apr	May	Jun	Jul	Aug	Sep	
2	Name Development	5/15/2000	6/30/2000	35d							
3	Identity Development	6/15/2000	7/31/2000	33d							
4	Web Design	7/1/2000	9/29/2000	65d							

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Brand Decision Process

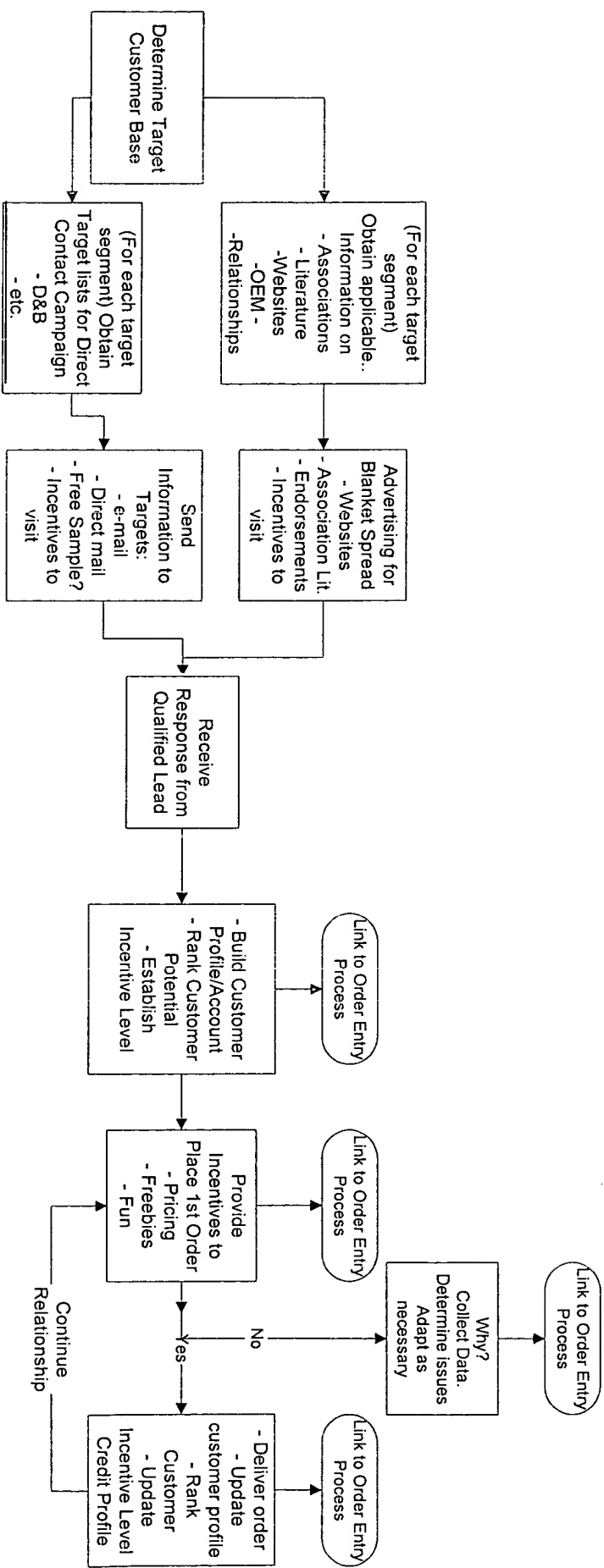
- We've been parallel pathing development of both a new, unique identity and the Gulf brand for e-lubes.
- GOLP appears interested in relinquishing their rights to market lubricants in NE under Gulf brand although terms are yet to be decided.
- Reacquiring the Gulf brand would allow e-lubes to enter market with an established brand more quickly than developing a new brand. However, concerns continue:
 - Limits e-lubes.com to a US-only strategy
 - Transforming an existing brand to internet
 - Need to share Gulf brand with non-Chevron entities
- **Maintaining the critical path requires us to narrow our options to single branding track.**

Recommend we continue developing unique brand identity and drop pursuit of Gulf.

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e-lubes.com Sales Process



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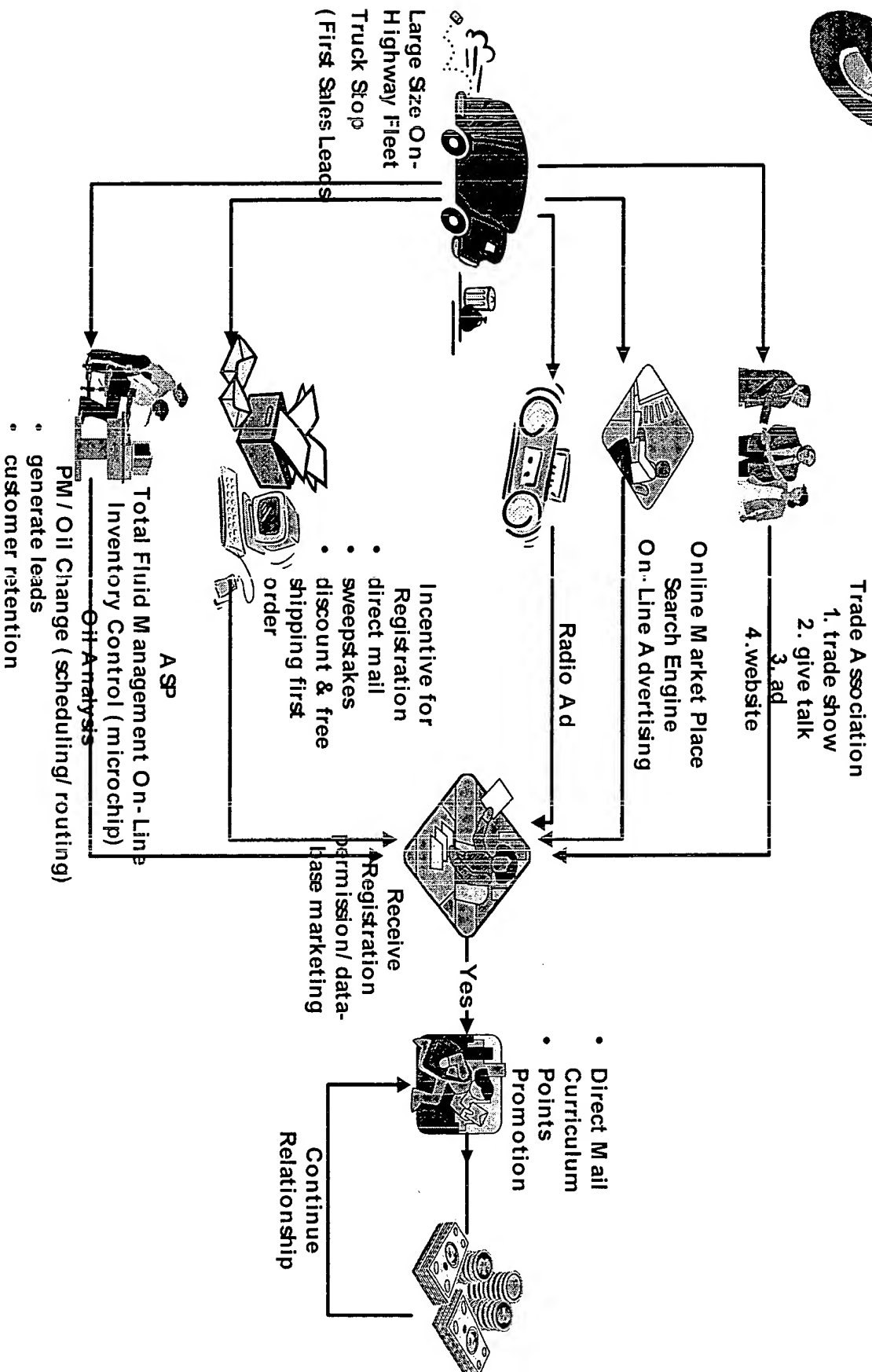


e-lubes.com Sales Process

This sales process will allow us to reach far more customers, faster, and better than current “traditional” sales organizations.

- No sales force on the ground. Contact is made electronically from lead qualification to closing. This will allow us to go after thousands of potential customers at the same time.
- A marketing database is being customized with SVOC to manage information on “Prospects”. We will understand our customers better and sooner than ever before.
- Incentives will be used to bring potential customers to visit us and try us out. This marketing technique will take e-lubes to major lubricants supplier status at a fraction of the cost of established methods.
- Being known as a Chevron USA Subsidiary will provide several advantages in the Sales Process:
 - Search engine priority when browsers are looking for suppliers
 - Instant recognition and trust from end users

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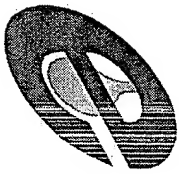


Example Sales Process

for the Large Size On-Highway Fleets

- **Conduct the Specific Marketing Strategy for the On-Highway Truck Fleets. Determine Best Way to Make Initial Contact.**
- **Generate Business Leads (by plant service area, product offering & volume)**
- **Target Entire Group Using Selective Advertising**
 - Radio Ad
 - Trade Association (Trade Shows, Give Talks, Ads, Websites)
 - Join On-Line Marketplace (SVOC or Transplace.com)
 - Search Engine & On-Line Internet Advertising
- **Contact Direct Leads from Database**
 - Incentive for Volunteering (Registration)
 - Direct Mail (US Mail, e-Mail)
 - Sweepstakes
- **Receive Response From Qualified Leads**
- **Permission/Data-Base Marketing**
 - Direct Marketing Curriculum
 - Points Promotion
 - Discount or Free Shipping for the First Order
- **Customer Profiling & Feedback Occurs Through Out the Process**

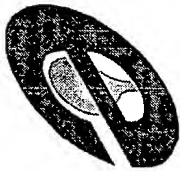
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Marketing & Sales Plan

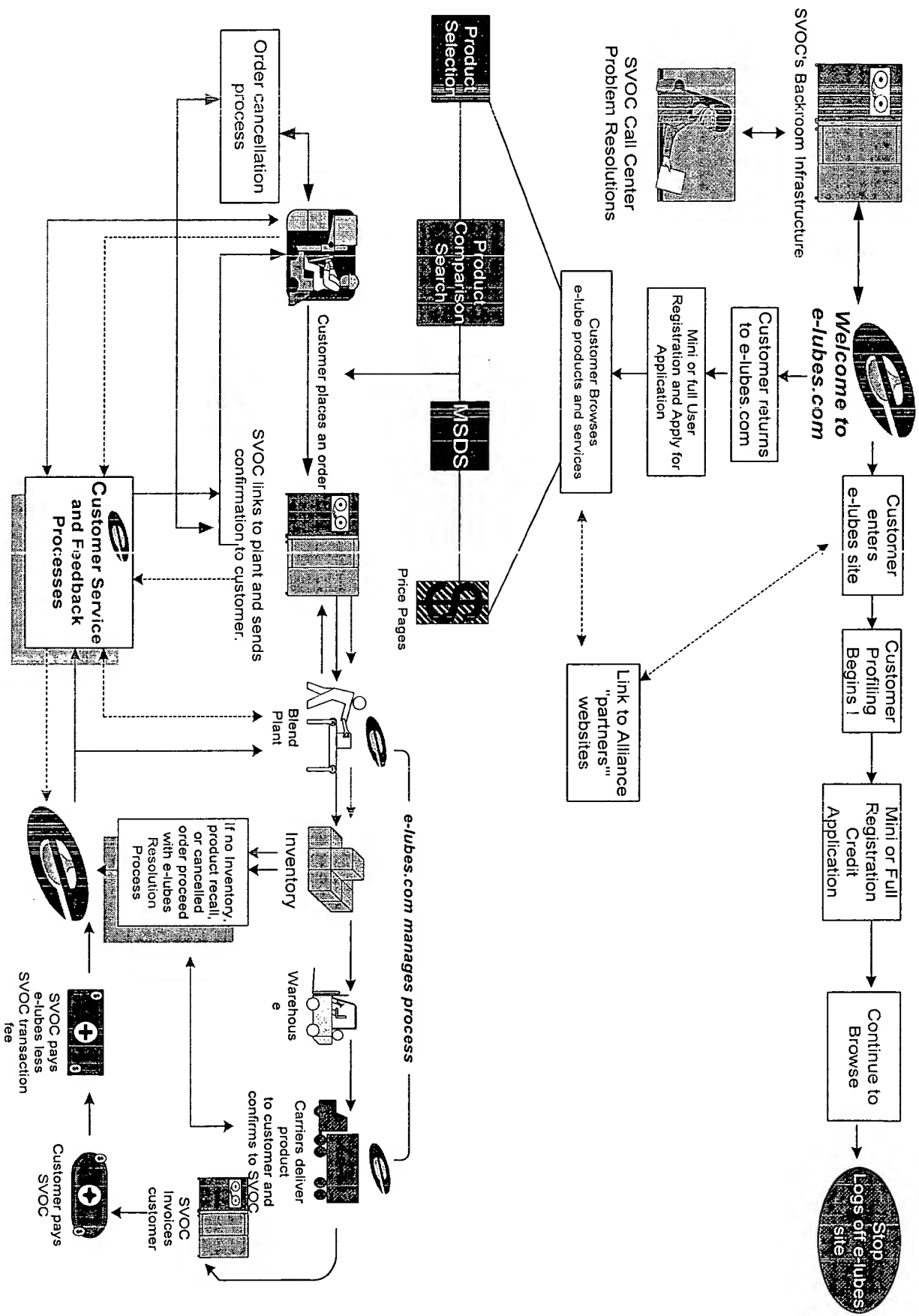
Next Steps

- Develop detailed plans by segment
 - identify customer target lists
 - develop detailed metrics by segment
 - determine advertising & promotion effort by segment
 - define auction and portal strategy
 - development of service offering with alliance partners
 - validate offering with customers



E-Commerce Plan

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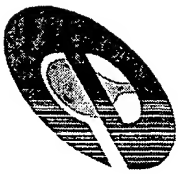




E-commerce Plan

The e-lubes website will be *fast, functional and efficient*

- **Fast**
 - The site combines the best features of the internet in order to provide ease of use, simplicity and speed.
- **Functional**
 - The site will contain relevant product, pricing ,delivery information.
 - The site will be linked to key suppliers and alliance partners.
 - The site will provide product and computer technical support, and on-line customer services through state-of-the-art internet technology (audio/video conferencing as examples).
- **Efficient**
 - It will be a virtual selling agent that will navigate the customer through the registration, credit and ordering processes.



E-commerce Plan

SVOC will provide all “back-room” functionality

- Time and time again, customer feedback indicates that “ease of doing business” is a key factor in customer buying decisions and loyalty. SVOC will provide hosting and transactional functions through a web site program that embodies “ease of doing business.”
- The back-end infrastructure offers a series of connections to our manufacturing plants, transportation partners and alliances.
- The back-end will provide collaborative filtering and data-mining services to capture customer data, analyze buying patterns and trends of e-lubes browsers. We will understand our customers better and sooner than ever before.

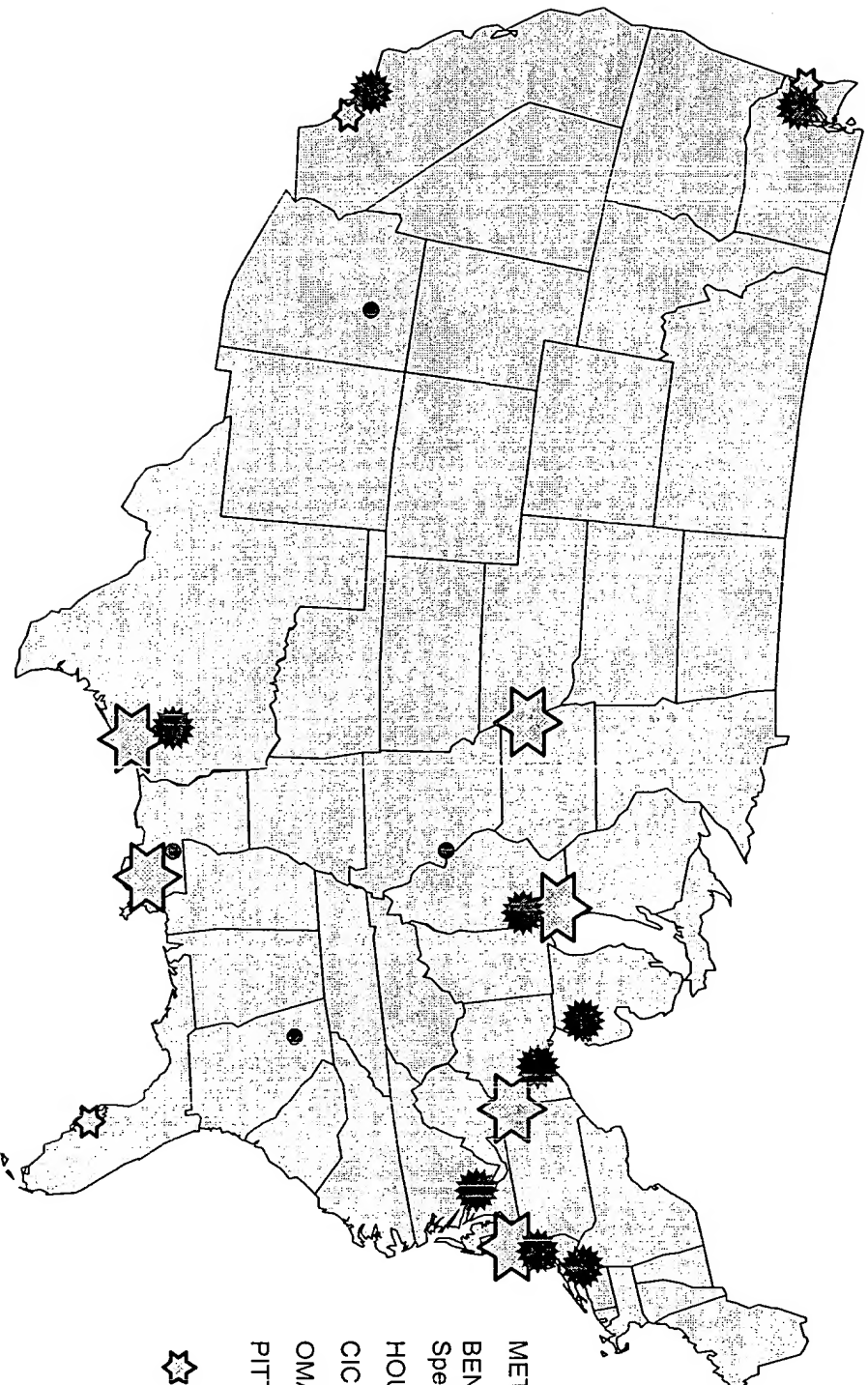
SVOC's transaction engine will be critical to our ability to provide convenience to the customer

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Manufacturing & Logistics Plan

Lubrizol Plants and Target Markets



MAJOR PLANTS

METAIRIE, LA-Delta
 BENSLEM, PA - Advanced Lubrication
 Specialties
 HOUSTON, TX - Third Coast
 CICERO, IL - Olympic
 OMAHA, NE - Warren
 PITTSBURG, PA - Allegheny Petroleum



SECONDARY PLANTS

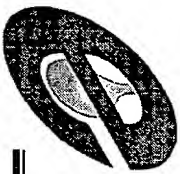
LOS ANGELES, CA - LSC/Uncal
 SEATTLE, WA - Lilyblad
 TAMPA, FL - Amaile



PRIMARY MARKETS



SECONDARY MARKETS



Manufacturing Plan

- Take advantage of surplus blend capacity -- don't need to own plants or inventory
- Manufacturing costs will be minimized by use of standardized formulations, conventional base oils and basic additive packages
- Leverage Chevron's relationship with Lubrizol
 - Lubrizol is interested in expanding their traditional role beyond being an additives supplier
 - Lubrizol has established relationships with many independent blend plants across the U.S. Their locations fit well with our target geographic markets.
 - Lubrizol has offered to manage this network for us
 - Lubrizol will develop formulations and provide MSDS sheets
 - Lubrizol will guarantee product integrity
 - We expect a final proposal from Lubrizol by *****.
- We are currently evaluating the use of our own Chevron Plants
 - NAFL is preparing a similar proposal
- Our Manufacturing Alliance with Lubrizol or Chevron or both needs to be in place by July 15 to meet our target launch date

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Logistics Plan

- **Leverage existing Chevron freight alliances**
 - Consolidated Freight (Less-Than-Truckload carrier) rates are discounted from the 1995 level
- **Marketers are not part of the logistics channel – we are the marketer**
- **Contract blend plants will permit use of standard tank trucks leading to lower freight costs**
 - NAFL loading racks require the use of bottom load-scully equipped trucks limiting the possible number of carriers that can be used
- **Use of Third Party Logistics Providers will give us many low cost options for distribution**
- **Web site will feature a rating feature based on a Zip to Zip matrix**
 - Customer will get their freight charges prior to final order confirmation

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Summary of Key Discussion Issues

- We need to get CPDS Management to accept the fact that we will lose money for the first few years as a start-up business. We need commitment that the Company will take the long-term view of this opportunity.
- Do you agree with our recommendation to leverage the Chevron brand by selectively using the phrase “a subsidiary of Chevron USA” in our marketing and sales efforts?
- Do you agree that we no longer need to pursue use of the Gulf Brand?
- We appreciate your support with SVOC. We need to continue this as SVOC becomes more “separated” from Chevron.
- For our manufacturing strategy, do you have a preference between Lubrizol or Chevron plants? And how involved do you want to be in the Lubrizol negotiations?
- Do you have any additional leadership direction for us at this point?

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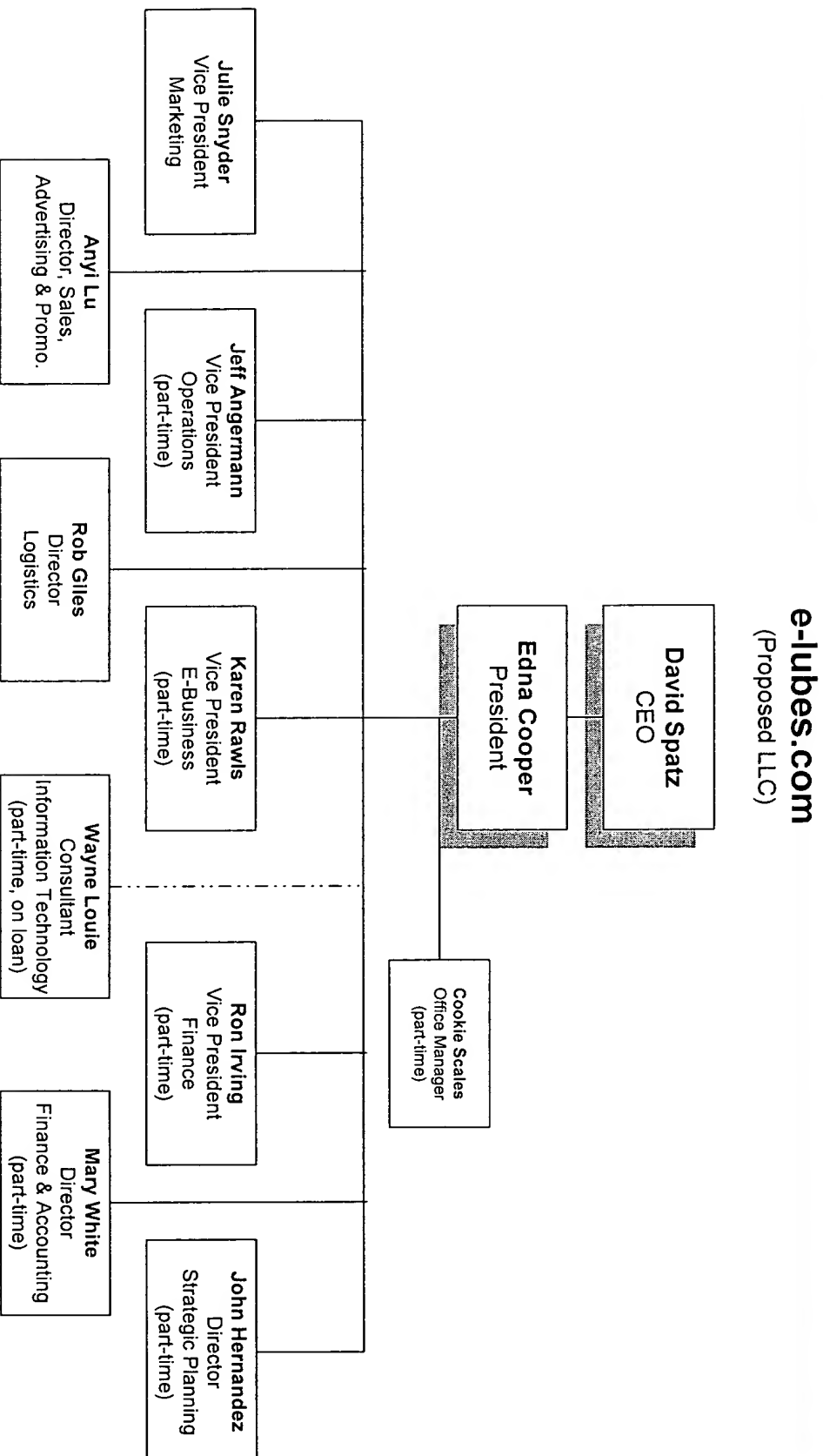


Appendix

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**** Organization Chart





Strategy Matrix

To be added in a later version

E-lubes.com Update



Agenda

- Welcome
- Opportunity Statements
- Assumptions
- Deliverables from Phase 1
- Preliminary Financial
- Issues -- Manufacturing & Distribution, Customers, E-Business
- Resources Need for Phase 2
- Next Steps



Today's Purpose

- Update GRT on Team activity to date
 - Identify & assess opportunity
 - Determine resource needs
- Dialog with GRT on assumptions and major issues.
- Approval to proceed to Phase 2
 - Resource Commitment
 - Determine GRT for Phase 2



Project Charter

Opportunity Statement:

- Establish an enterprise or independent business unit that will market, via the Internet, a new brand of highly competitively priced performance lubricants that meets general lubrication requirements of the industrial and commercial market, and effectively execute timely deliveries while selling directly to the price conscious end user. Targeted customers could range in size from 500 - 25,000 gallons annually, and are mostly driven by price and minimal product specifications. Three primary core competencies will be distribution and logistics efficiencies, coupled with leveraging electronic commerce technology, and low overhead expense.

Project Success:

A web-based Lube Business is launched with on spec products satisfactorily delivered which experiences steep month to month growth in interest & sales

Decision Hierarchy

Givens:

- Outsource production
- Use non-Chevron branded marketers
- Target price-sensitive buyers
- Keep costs low by bundling most popular products in hi volume package styles (including bulk)
- Capture benefits of using a web-based business model
- Go Live 4/1/2000
- Leverage independent tube blender manufacturing cost structure (OpEx & COG's)
- Take advantage of existing transportation alliances (e.g. Consolidated Freight, Ryder Logistics etc)
- Non-Chevron brand offering
- Standard Performance Claims (API, SAE) with multiple for formulations
- Target commercial & industrial customers around distribution hubs
- Build in distribution flexibility (FOB Plant/FOB Delivery)
- Utilize HIE&S capabilities
- Strive for competitive (low cost structure & pricing)/perfect/imely customer-centric
- Outsource E-commerce development & operations
- Commit dedicated & undistracted work team/work place
- Select CP Logistics as principal provider for LTL & bulk (first wave) but consider JB Hunt for full package truckload as concept matures

Focus:

Tactics:

e-lubes.com Task Force Scope - In the Frame / Out of the Frame

Out of Scope: CBEST; CRA; Fuels & Lubes.com; Complete Chevron product line (600+); Chv acctg/billing/credit system; R&D, Engine or Field Tests, Lubes Bus Center

(In Scope/External to Team)

• On-line ordering, billing & e-bank

(In Scope/Internal to Team)

• LT: MTS, PIM

• Limited Product Line:

-HDMO, PCMO, ATF, Auto-Gear, tractor hyd fl, hyd oil, auto/ industrial grease, R&O oil

• Selection & mgmt of Blenders & Packagers

• Product pricing strategy

• Manage Logistic Alliances

• Manage & monitor minimum Performance Claims & Specs

-includes tracibility

• Planning & Bus Admin/HR

(P&L, OpEx, metrics, forecasts, reports)

• Cost Model Decision: i.e. purchase vs toll, hybrid etc

• Business Structure Decision:

i.e. IPO vs wholly owned vs Clementz-thing

• On-Line Product Support

• On-Line Promotion Strategy (Launch campaign, trade shows, press mgmt, events etc)

• Contract Strategy & Mgmt:

i) Blenders/Packagers-boiler plate (FM, COI), ownership of mat'ls, brand, quality assurance

ii) Logistics- freight rates, geographic coverage, delivery methods

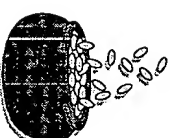
iii) CF alliance /contract

• Legal support

• Product Delivery
• HES
Compliance

e-lubes.com S.W.O.T. Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Strong product development capabilities • Recognized HES capability • Established Chevron distribution network (600+) • Hi revenue \$/gal; low cost raw materials • Strong product integrity • Good relationship with CF as alliance partner who has indicated a web-based preference 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Chevron Lubes has hi -cost structure (G&A) • Chevron has struggled with e.com bus model • Chevron has hi-cost proprietary facilities • There is a 'Legacy' mind-set • Weak business transaction structure/system @ Lubes with poor integration of costs (revenue leaks)
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Success Planning

e-lubes.com Team (4Q2000)

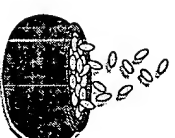
Critical Success Factors:

- ID, understand, address, & satisfy customer drivers & requirements
- Employ efficient use of E-commerce technology
- Establish mutually beneficial contractual relationships (re. plant, logistics, raw materials, web)
- Quickly staff & build a dedicated team which can work outside the 'Chevron' box
- Find a way to incorporate Chevron & Consolidated Freight needs as JV partners/investors



Measures Of Success: e-lubes.com

- Focused market research of customers & their needs; market penetration/unit time; monitor
- Registrations, # hits(path analysis); on-line satisfaction/complaint surveys re: on spec/on time
- Select right web partner; monitor cost/transaction, billing accuracy re: credit re-bills.
- Paperless system; pin-point tracking of abandonment rate @ shopping cart;
- Monitor product specs, shipping target dates; calculate reverse engineering estimates for cost
- Comparison re. \$cost/delivered gal; # claims (over/short/damage); # customer complaints; monitor G&A costs;
- Establish win:win incentives in supply chain alliance (volume/OpEx/raw material cost etc)
- Establish multifunctional/multi-company JV
- Marriage of all core competencies for success (keep it simple with streamlined infrastructure) one boss only; flat organization chart.
- NPV/IRR per plan



Preliminary Financial

Scenario	Revenue \$/Ga	NPV ₁₀	IRR
1	2.75	\$87.6 MM	63%
2	3.00	\$138.9 MM	94%
3	3.25	\$190.2 MM	125%
4	3.50	\$198.6 MM	163%

- Assumes growth to 10% market share in 10 years
- G&A of \$0.20/Ga vs. current \$0.50/Ga
- COGS \$2.00/Ga
- 5 year NPV = \$8.6MM, \$25.5MM, \$41.4MM and \$57.3 MM respectively
- \$10MM capital in years 1-3

BuySell.com

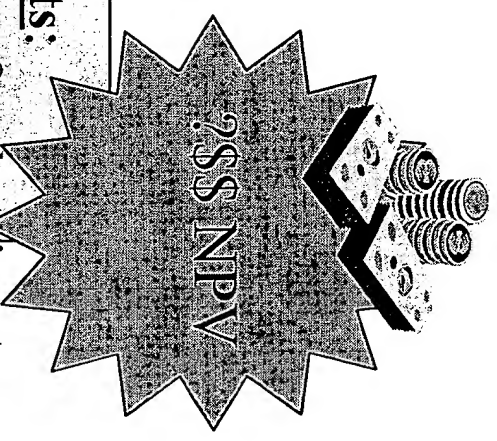
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- Ship by alliance carrier
- Standard Product Performance Claims(API,SAE)
- Web-based & paperless process
- Inventory costs billed when shipped to customer

Key Strategies:

- <Complicated support infrastructure(tech,MSM)
- Simpler transaction with less cost
- No Chevron ownership of inventory
- Can buy 'off-the-shelf products from multi-shippers

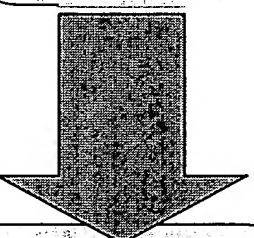
Impacts:

- Potential for >\$products/inventory
- Still responsible for PIMs, HES, & spec sheet



Biggest Challenges:

- COGs & total product cost higher than Chevron alternative
- No barrier to entry in long term
- Difficult to ensure product integrity
- Difficult to beat jobbers for cost/quantity in small volume
- Difficult to find win:win strategy with CF in start-up period



Mitigation measures

- Alliance contract with CF

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3rd Party Toll Processing

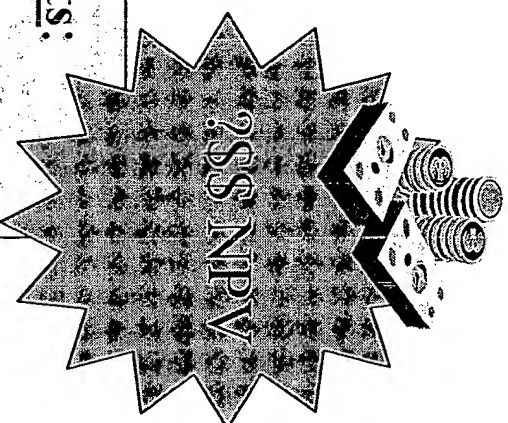
- Chevron purchases/owns raw materials & finished products
- 6-8 supply points with 10 suppliers/product; 18 products
- Chevron intimately involved in Formulation & Performance Claims
- Web-based & paperless process
- Independent/outsource transaction system required (external to Chevron)

Key Strategies:

- Lower COG's
- >Chevron product control re. Performance Claims &
- Lower transaction system expenses

Impacts:

- Hi OpEx
- Less spec variation to customer (price premium?)
- Back-office expenses lower



Biggest Challenges:

- Suppliers will experience squeezed margins
- Potentially > cannibalization of existing Chevron
- > infrastructure support effort with > costs

Mitigation measures:

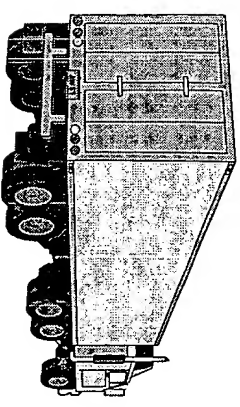
on Confidential

e-lubes.com Framing Team

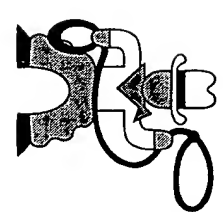
Logistical Geographic Hub Centers by Service Provider

Stock Packaging Hub	% Chv activity	Key Competitor	CF	Ryder Logistics	Yellow	Matlack Bulk	Bulk Candidate
ATL	20	Exxon	Y			Y	Kenan
Philly/NY	20	Sun	Y			Y	
Houston/NO	15	Conoco Citgo Exxon	Y			Y	Coastal
St Louis	12.5	Citgo	Y			Y	
Chicago	12.5	Citgo	Y			Y	
Portland	7.5	76 Lubric	Y			Y	Benito
LA	7.5	76 Lubric	Y			Y	Mohawk

Distribution Options

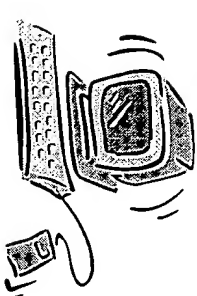


- FOB Delivered
- FOB Distribution Center
- Bulk Distribution by single or multi-source
- e-lubes own inventory vs. toll manufacture



Customer Drivers

- Significant number of customers desire low price / low frills lubricants.
 - Limited product / package style span
- Need to determine acceptance of a new brand.
- Determine penetration of internet among target customers
- Marketing plan



E Biz Structure

- Objectives:
 - Minimize expense and maximize functionality
- Strategy:
 - Accomplish objectives through a series of strategic business partnerships
- Tactics:
 - Hire Consultant with experience advising on similar start up efforts
 - Experienced with software, business alliances and implementation
 - Select off the shelf solutions wherever possible
 - Credit
 - e-credit.com or something similar
 - Distribution
 - must be technically sophisticated company



Phase 1 Recommendation

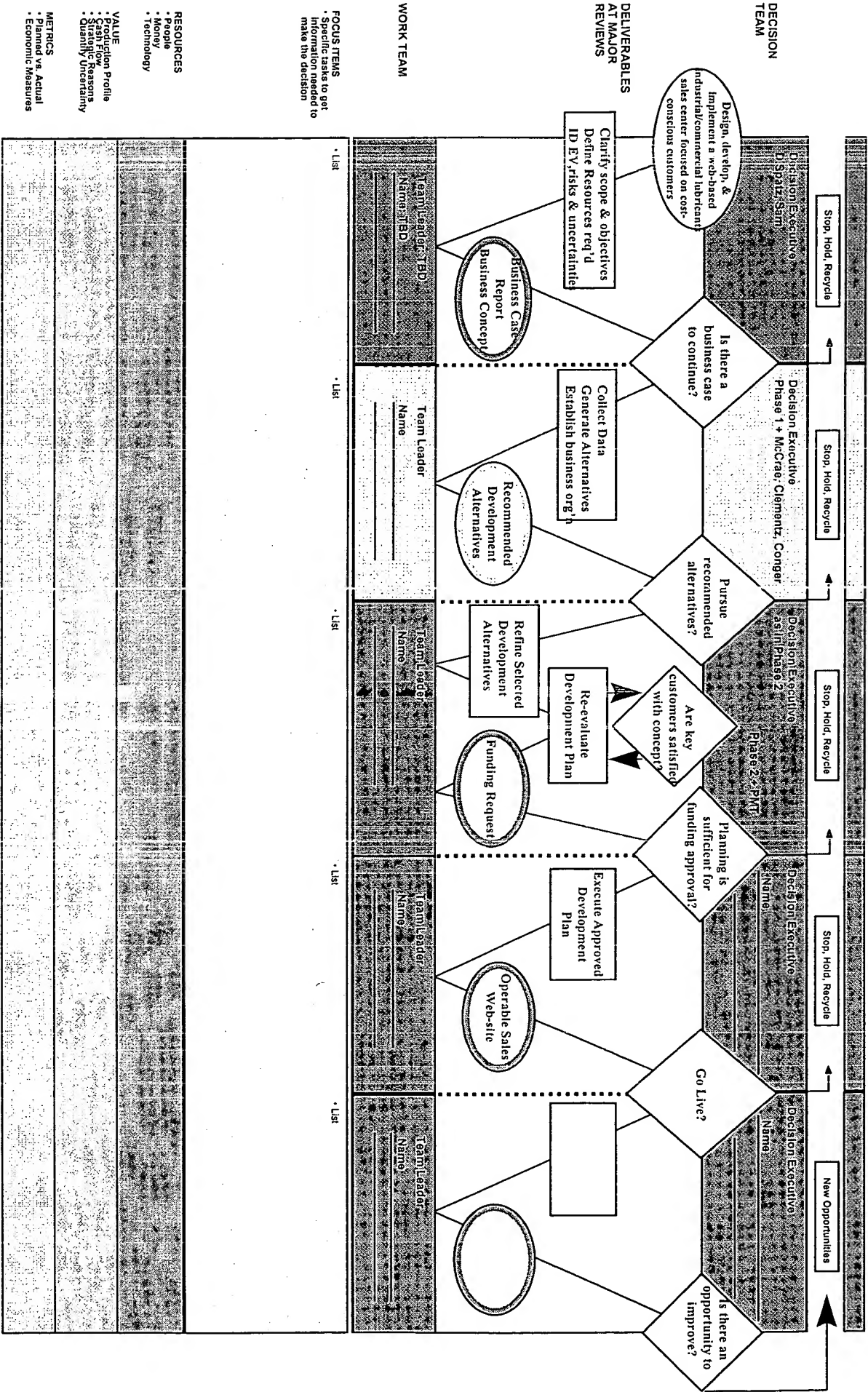
- There is a business case to continue with the project
 - High level financials look promising
 - Going forward, a dedicated team needs to consider issues involving:
 - Manufacturing & Distribution
 - Customers
 - e-Business

PROJECT NAME:

CPDEF ROADMAP WORKSHEET

DATE	DATE	DATE	DATE	DATE	DATE
11/10/98	2/12/2000	3/20/2000	4/1/2000	4/20/2000	

PHASE 1 IDENTIFY & ASSESS OPPORTUNITY	PHASE 2 GENERATE & SELECT ALTERNATIVES	PHASE 3 DEVELOP PREFERRED ALTERNATIVES	PHASE 4 EXECUTE	PHASE 5 OPERATE AND EVALUATE
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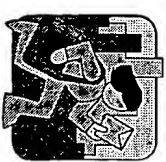
Resource Needs for Phase 2

Title	% Time	Function	Candidate
Team Leader	100%	<ul style="list-style-type: none"> • Teamwork • Strategic Outlook • Basic Understanding of the Internet 	
Operations Services	100%	<ul style="list-style-type: none"> • Blending • Contract Admin • Distribution 	
IT Systems	100%	<ul style="list-style-type: none"> • Hardware • Strategic Development • Architecture 	Consultant?
MSM	50%-100%	<ul style="list-style-type: none"> • Positioning • Customer Attitude Surveys • Marketing Plan 	
E Business	50-100%	<ul style="list-style-type: none"> • Strategic E-Biz Model • Web Vision 	
ABM/ LBM	50%	<ul style="list-style-type: none"> • Line of sight to the Customer 	
TP&S	50%	<ul style="list-style-type: none"> • Develop Logistics Alliances 	
CPDEP	25%	<ul style="list-style-type: none"> • Facilitation 	



Resource Needs for Phase 2

- Price Sensitivity Survey \$100M
- Customer Readiness \$50M
- CEDEP Facilitation \$25M
- Misc Research Needs \$25M
- IT Consulting \$100M
- Current Budgets to absorb:
 - Manpower, travel, meetings incidentals, other misc. expenses



Next Steps

- Launch Customer Survey (2-3 months turnaround)
- Begin alliance discussions
- Generate alternative business models
- Recommend preferred alternative

— Strategy Overview & Discussion

NAFL Management Team Meeting

David Spatz



Chevron

Lubricants



e-lubes: Mission & Vision

Mission:

“...“no frills” lubrication solutions to selected, price-conscientious customers. We leverage innovative technology...to achieve customer convenience and low-cost operations.”

Vision:

“... a profitable internet business that dominates the low-price lubricant segment by providing convenient, low-cost lubrication solutions”



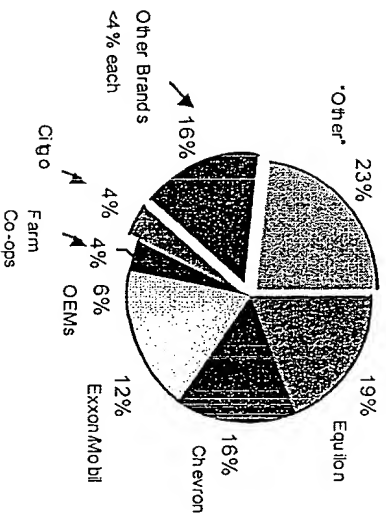
e-lubes: Business Direction

- ◆ Growth Strategy for Chevron Global Lubricants
- ◆ Deepens existing Portfolio of offerings
 - New cost effective entry point into price-driven market
- ◆ Leverages Lubrizol alliance to create a virtual blend plant system
- ◆ Leverages off SVOC's IT and back office investments

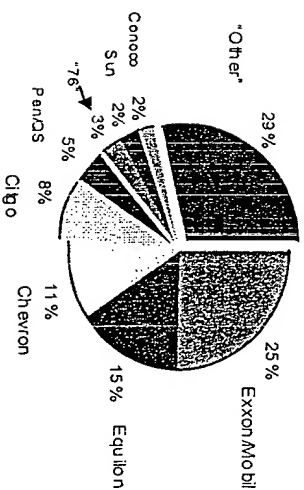


e-lubes: Target Market Expands Chevron's Space

HDMO - U.S. Market Share
565 Million Gallons

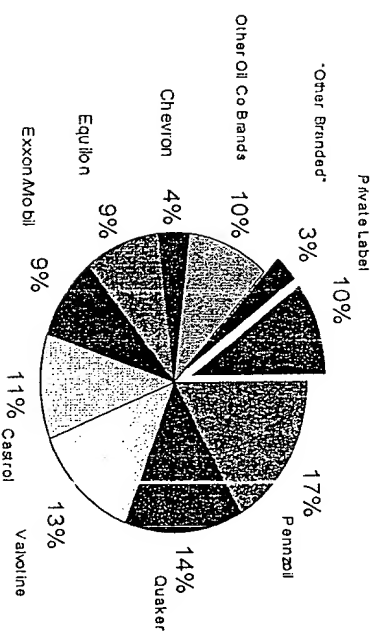


General Industrial - U.S. Market Share
397 Million Gallons




Note: General Industrial excludes Process Oils, Metalworking, and Industrial engine oils (railroad)

PCMO - U.S. Market Share
817 Million Gallons




e-lubes: Financial & Timeline Information

- ◆ Estimated Project Cost \$19.3MM
- ◆ Project Funding Source: TBD
- ◆ Expected profitability and returns are healthy
 - 10 year NPV is estimated at \$78MM and ROR is 58%
 - Steady state A/T profits are projected to be \$45MM with a 200% ROCE.
- ◆ Timeline  “Live” Date



e-lubes & NAFL: Some Key Issues

- ◆ Low cost position addresses the price-driven market
- ◆ e-lubes branding will be under 
- ◆ Win-win with Lubrizol synergies:
 - Virtual Blend Plant for e-lubes
 - Volume discounts accrue to NAFL
- ◆ e-lubes relationship to Chevron brand is still being determined

E-lubes.com Update





Today's Purpose

- Update GRT on Team activity to date
 - Identify & assess opportunity
 - Determine resource needs
- Dialog with GRT on assumptions and major issues.
- Approval to proceed to Phase 2
 - Resource Commitment
 - Determine GRT for Phase 2

Decision Hierarchy

Givens:

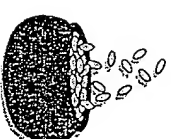
- Outsource production
- Use non-Chevron brand
- Target price-sensitive
- Keep costs low by minimizing the number of SKUs in hi volume package styles (including bulk)
- Capture benefits
- Go Live 4/1/20
- Leverage ind
- Take advantage of
- Non-Ch
- Stand
- Target
- Budget
- Customer-centric
- Supplier-centric
- Partner-centric
- Consolidated Freight, Ryder Logistics etc)

Focus:

Tactics:

e-lubes.com S.W.O.T. Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Strong product line • Recognized HES capability • Established Chevron distribution network (600+) • Hi revenue \$/gal; low cost raw materials • Strong product integrity • Good relationship with CF as alliance partner who has indicated a web-based preference 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Chevron Lubes has hi -cost structure (G&A) • Chevron has struggled with e.com bus model • Chevron has hi-cost proprietary facilities • There is a 'Legacy' mind-set • Weak business transaction structure/system @ Lubes with poor integration of costs (revenue leaks)
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Measures Of Success:

e-lubes.com

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- Marriage of all core competencies for success (keep it simple with streamlined infrastructure) one boss only; flat organization chart.
- NPV/IRR per plan

BuySell.com

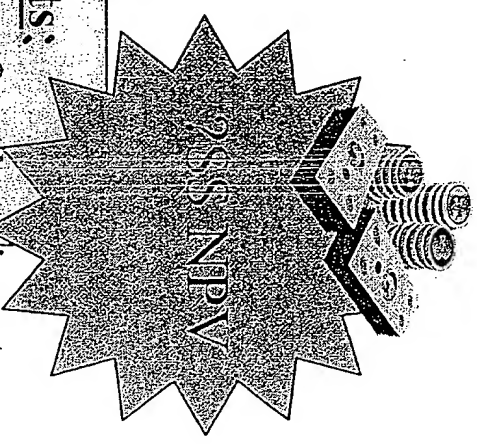
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Impacts:

- Potential for >\$products inventory
- Still responsible for PIMs, HES, & spec sheet



Biggest Challenges:

- COGs & total product cost higher than Chevron alternative
- No barrier to entry in long term
- Difficult to ensure product integrity
- Difficult to beat jobbers for cost/quantity in small volume
- Difficult to find win-win strategy with CF in start-up period

Mitigation measures

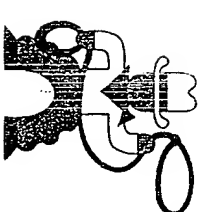
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e-lubes.com Framing Team

Logistical Geographic Hub Centers by Service Provider

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Houston/NO	15	Conoco Citgo Exxon	Y			Y	Coastal
St Louis	12.5	Citgo	Y			Y	
Chicago	12.5	Citgo	Y			Y	
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LA	7.5	76 Lubric	Y			Y	Mohawk



Customer Drivers

- Significant number of customers desire low price / low frills lubricants.
 - Limited product / package style span
- Need to determine acceptance of a new brand or purchase known brand.
- Determine penetration of internet among target customers
- Marketing plan



Phase 1 Recommendation

- There is a business case to continue with the project
 - High level financials look promising
 - Going forward, a dedicated team needs to consider issues involving:
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CPDEP	25%	<ul style="list-style-type: none">• Facilitation	



Next Steps

- Launch Customer Survey
- Hire IT Systems Consultant.
- Begin alliance discussions
- Generate alternative business models
- Recommend preferred alternative, [REDACTED]
- A/R approval by [REDACTED]



e-lubes.com

Business Plan Presentation to

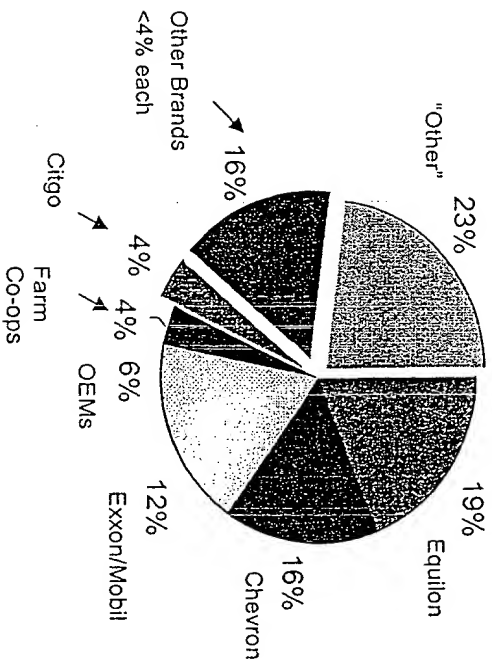
David Spatz



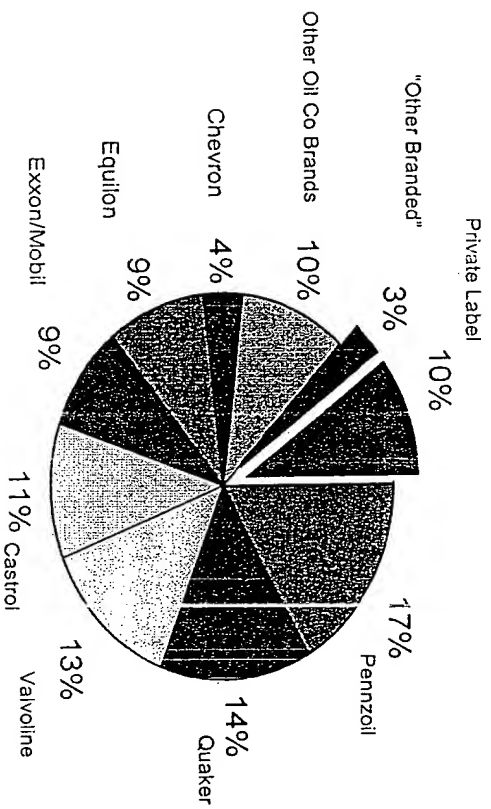
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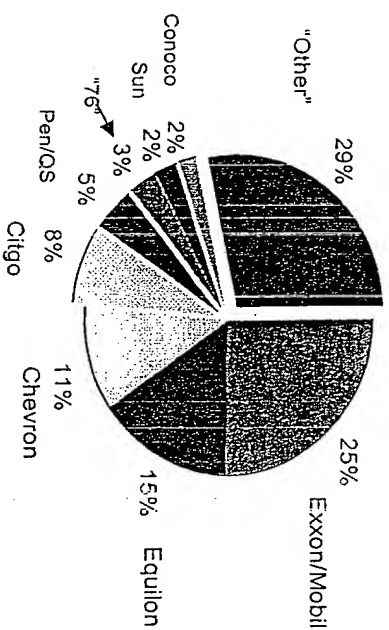
HDMO - U.S. Market Share **565 Million Gallons**



PCMO - U.S. Market Share **817 Million Gallons**



General Industrial - U.S. Market Share **397 Million Gallons**



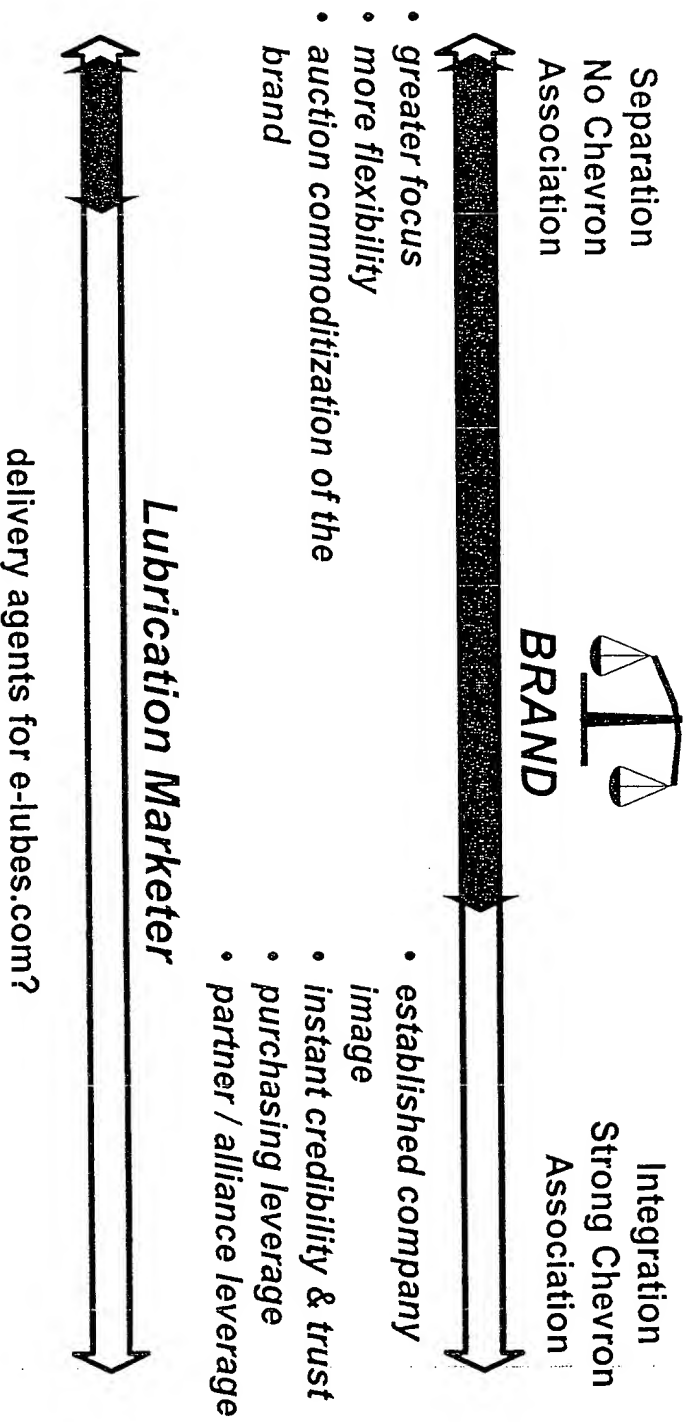
Note: General Industrial excludes Process Oils, Metalworking, and Industrial engine oils (railroad)





Leveraging the Chevron Brand

We want to leverage the Chevron brand name in the e-lubes.com business.
What degree of integration makes sense?



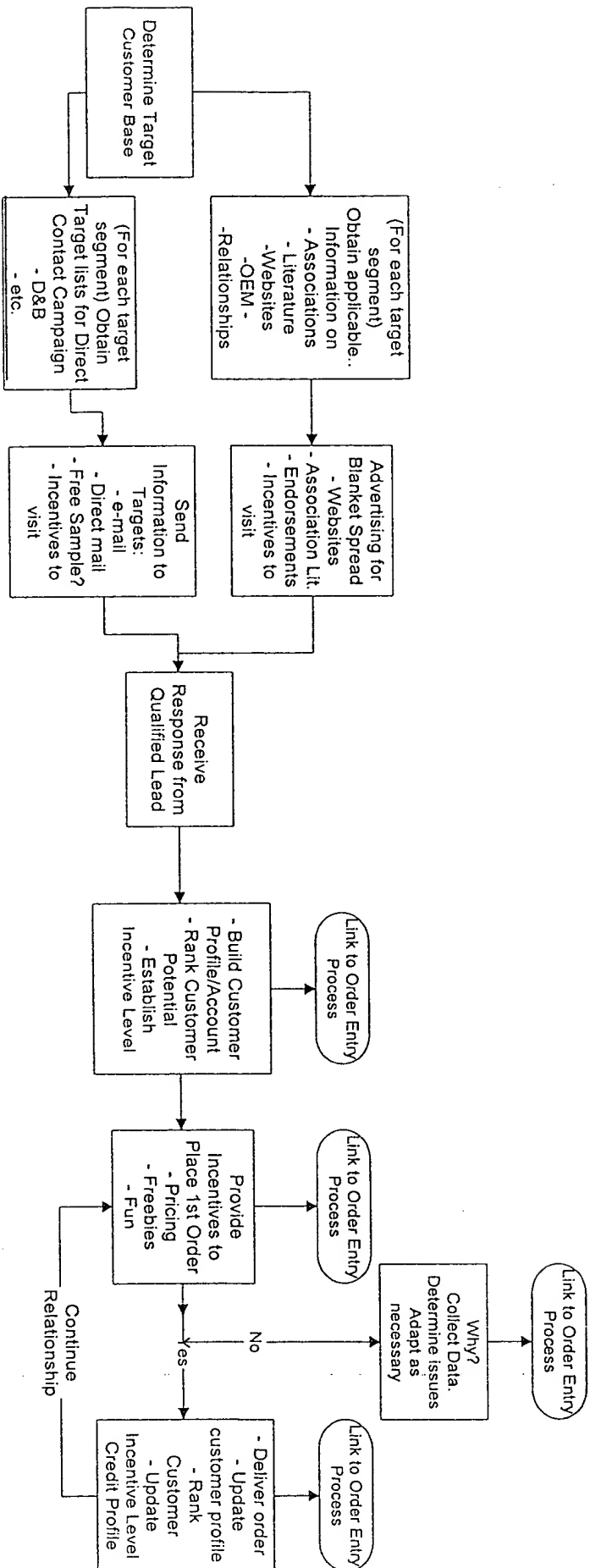


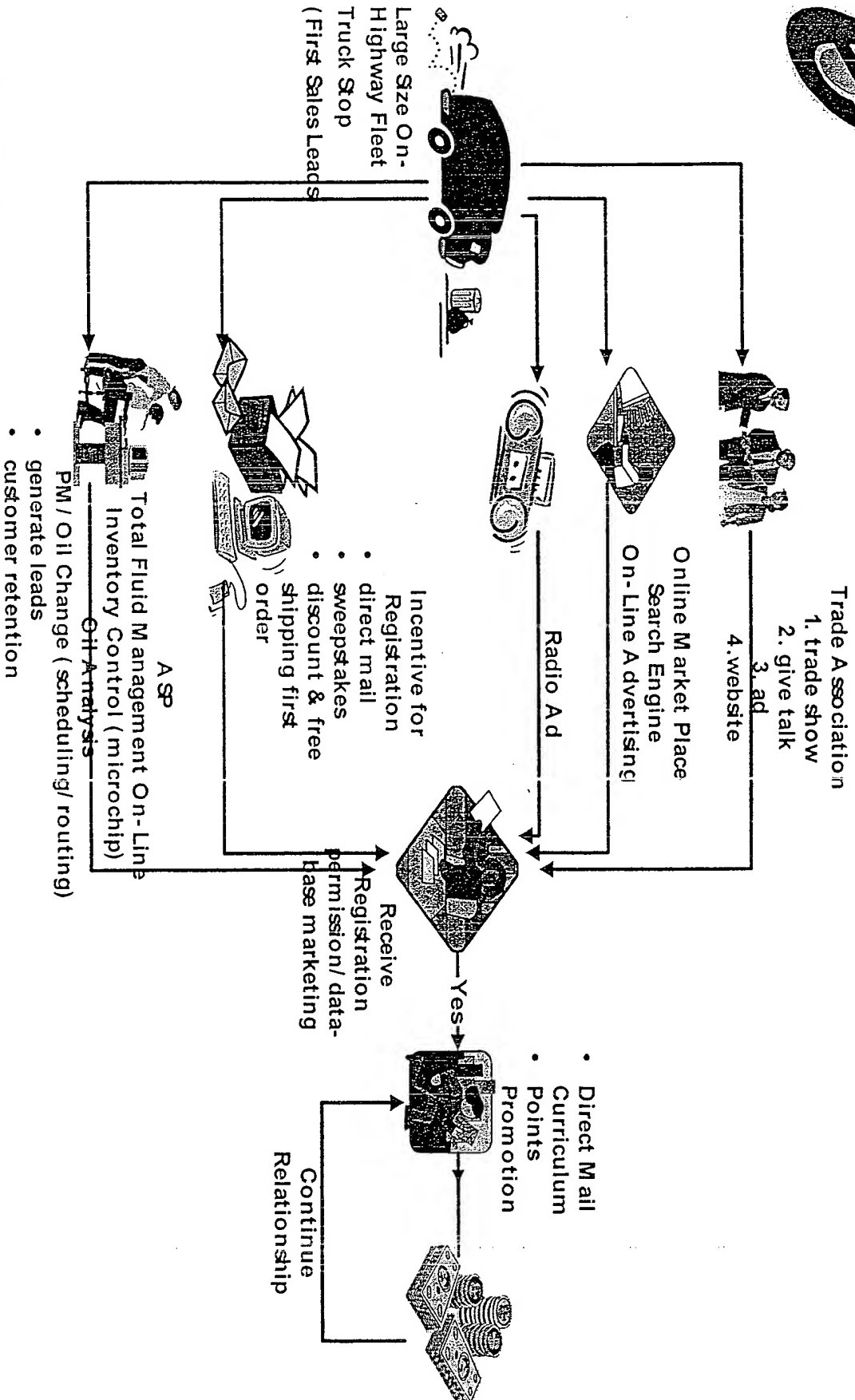
Branding & Identity Timeline

ID	Task Name	Start Date	End Date	Duration	2000				
					Apr	May	Jun	Jul	Aug
1	Branding Strategy	4/15/2000	6/15/2000	14d					
2	Name Development	5/15/2000	6/30/2000	35d					
3	Identity Development	6/15/2000	7/31/2000	33d					
4	Web Design	7/1/2000	9/29/2000	65d					



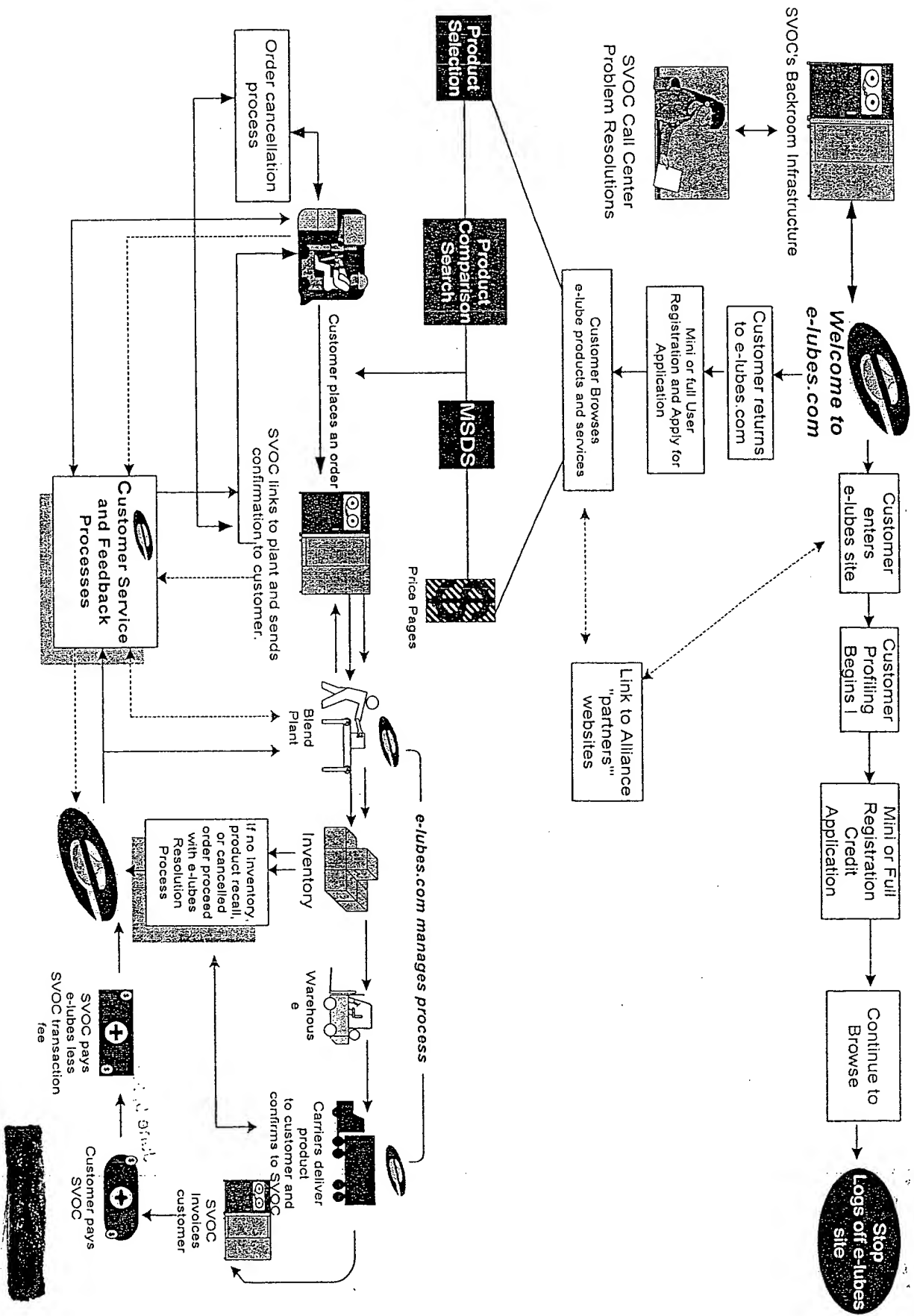
e-lubes.com Sales Process



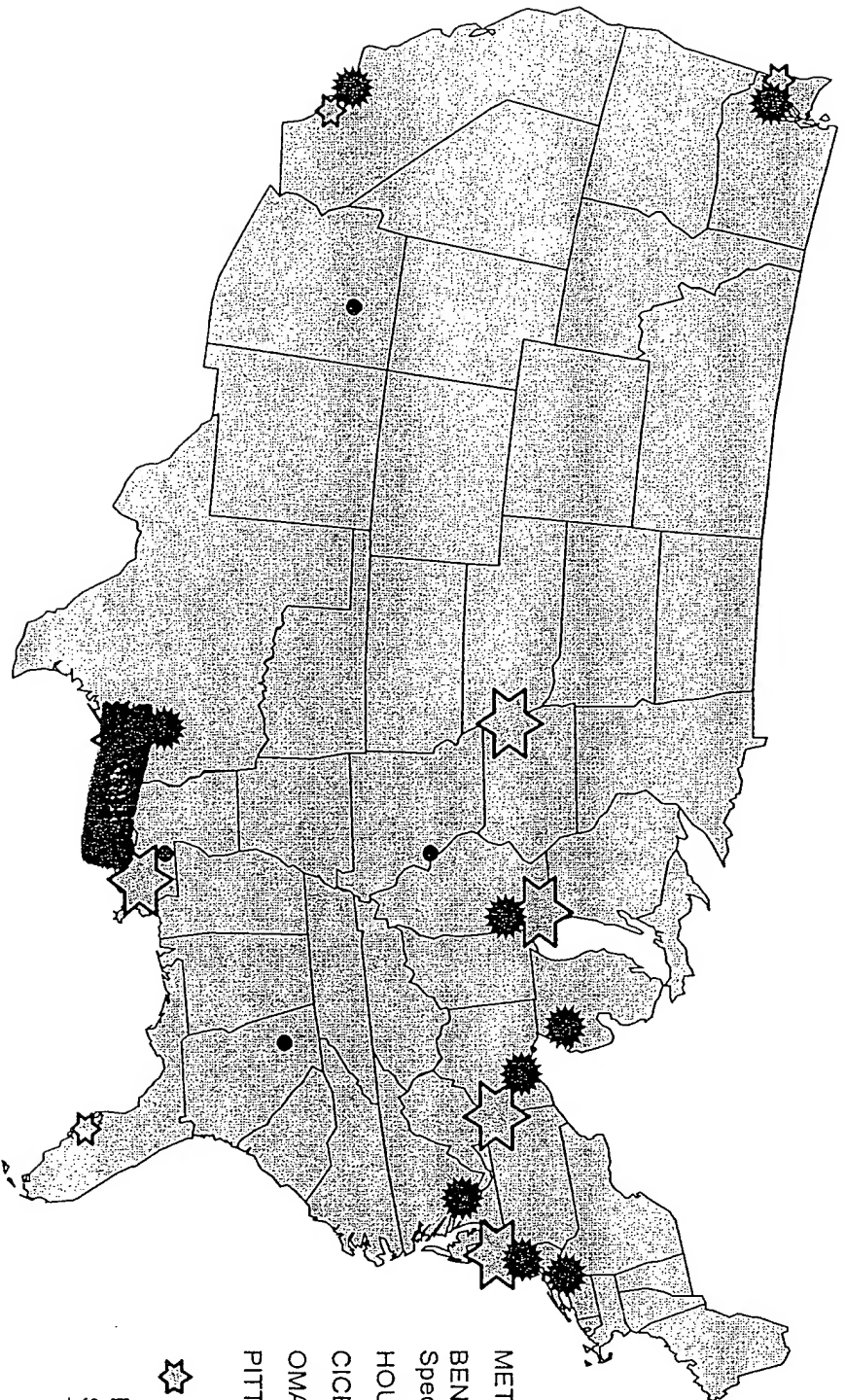


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Lubrizol Plants and Target Markets



MAJOR PLANTS

METAIRIE, LA-Delta
 BENSALERM, PA - Advanced Lubrication
 Specialties
 HOUSTON, TX - Third Coast
 CINCINNATI, OH - Olympic
 OMAHA, NE - Warren
 PITTSBURGH, PA - Allegheny Petroleum



SECONDARY PLANTS

LOS ANGELES, CA - LSC/Unocal
 SEATTLE, WA - Lillyblad
 TAMPA, FL - Amalie



PRIMARY MARKETS



SECONDARY MARKETS



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